

ASSESSMENT OF INTERNAL AUDIT EFFECTIVENESS IN PUBLIC ORGANIZATION (IN CASE OF WOLKITE UNIVERSITY)

A Research Paper Submitted To Department Of Accounting and Finance for the Partial Fulfillment of the Requirement of Bachelor of Art (BA) Degree in Accounting and Finance

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**JUNE, 2019
WOLKITE, ETHIOPIA**

Abstract

This study was conducted to assess internal audit effectiveness in public organization evidence from Wolkite University. Internal auditing help an organization accomplish its objectives by bringing a systematic discipline to evaluate and improve the efficiencies manner. The study was tried to assess the effectiveness factors, like internal audit quality, management support, organization setting, organizational independence of internal auditors and audit attribute. This research incorporates five chapters which deals with the overall problems related to internal audit effectiveness. The first chapter consists of the introduction part including background of the study, statement of the study objectives of the study significant of the study scope and limitation of the study. The second part of the paper deals with the literature review of internal audit role that obtained from different reference materials like researches previously conducted by other researchers and books. In third chapter deal the methodology of the study. For obtaining data regarding the internal audit of the organization, the researcher was used both primary and secondary source of data. Primary data collected through questionnaires and interview and secondary sources from internal auditing reports of Wolkite University.

Acknowledgment

First and foremost great thanks given to GOD for made some body from nothing and help me in every aspect of my life. I also wish to express my advisor Mr. Kasu Birbirs (msc) for his constructive ideas and valuable comment that have been the major assistance in the preparation of this paper. I would like to express my heartfelt thanks to my family who support financially and to my friends for giving continuous moral and facilitating different materials in my activity of this paper.

Table of Contents

Abstract.....	I
Acknowledgment	II
Table of Contents.....	III
List of Acronyms.....	V
List of Table.....	VI
Page no.....	VI
CHAPTER ONE	- 1 -
1. INTRODUCTION	- 1 -
1.1Background of the study	- 1 -
1.2Statement of the problem	- 3 -
1.3. Research Question	- 4 -
1.3.1. Objective of the study	- 5 -
1.3.2. General objective	- 5 -
1.4. Specific objective.....	- 5 -
1.5. Significance of the study.....	- 5 -
1.6. Scope of the study	- 6 -
LITRATURE REVIEW	- 7 -
2.1 Theoretical Review	- 7 -
2.2.1 Internal auditing	- 7 -
2.2.2 Types of Audits performed by internal Auditors	- 8 -
2.2.3 Evolution of modern internal Auditing practice	- 8 -
2.2.4 Principles of Professional Ethics.....	- 9 -
2.2.5 The Role of Internal Audit	- 10 -
2.3 Internal audit effectiveness	- 11 -
2.4 Factors Influencing Internal audit Effectiveness.....	- 11 -
2.4.1 Quality of internal audit department	- 11 -
2.4.2 Organizational setting of internal auditing.....	- 12 -
2.4.3. Management support.....	- 13 -
2.4.4. Auditee Attributes	- 13 -

2.4.5. Organizational Independence.....	- 14 -
2.4.6. Empirical Review.....	- 14 -
2.5. Conclusion and Knowledge Gap.....	- 15 -
CHAPTER THREE.....	- 17 -
METHODOLOGY OF THE STUDY	- 17 -
3.1. Introduction.....	- 17 -
3.2. Study Area.	- 17 -
3.3 Research Design.....	- 17 -
3.3.5. Population and Sampling Size	- 18 -
CHAPTER FOUR	- 20 -
DATA ANALYSIS AND INTERPRITATION	- 20 -
4.1. INTRODUCTION.....	- 20 -
4.2. Background of Respondents	- 20 -
4.2 Analysis of the Case Study Evidence	- 21 -
4.2.1 Internal Audit Quality.....	- 22 -
4.2.2 Management Support	- 24 -
4.2.3 The Organizational Setting.....	- 26 -
4.2.4 Auditee Attribute	- 28 -
4.2.5 Organizational Independence.....	- 29 -
CHAPTER FIVE	- 31 -
CONCLUSION AND RECOMMENDATIONS.....	- 31 -
5.1 INTRODUCTION.....	- 31 -
5.2 Conclusion.....	- 31 -
5.3 Recommendations	- 32 -
REFERENCE.....	- 34 -
Appendix	- 36 -

List of Acronyms

CPA-Certified public accountant

GAO-General accounting office

IA-internal auditing

IAE-internal audit effectiveness

IAF-Internal audit function

IRS-Internal revenue services

ISPPIA-Internal standard for profession practice of internal audit

MOFED-ministry of finance and economic development

SPSS-Statistical package for social scientists

WKU-Wolkite University

List of Table	Page no
Table 4.1 Background of Respondents	20
Table4.2 quality internal audit	22
Table4.3 Management support	25
Table 4.4 Organizational setting	26
Table 4.5 Auditee attribute	28
Table 4.6 Organizational Independence	29

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the study

Auditing is an important activity for all types of organization where governmental, private for profit, non- profit or any other Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economics action and event to ascertain the degree of cores pendency between those assertions and established criteria and communication the result to interested user [konrath ,1992].The need for auditing, either externally internal auditing is increasing from time to time because it enables organizations that their resource have been utilized for their intended Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organizations operation it help an organization accomplish its objectives by bringing a systematic discipline to evaluate and improve the efficiencies of risk management, control and governance processes.(Jennfer ,1997)

In addition, the development in internal audit profession brings change in the scope and functions of internal audit customers. Previously internal auditors were seen just as an assistant of accountant's and an external auditor but recently internal audit is certainly is considered an independent profession, which is playing a significant role in the management of organizations. Besides, independent of internal auditors have always been a sensitive issue while he/she is the employees of the organization, above all, not clearly organized structure or reporting line make the problem more complicated in such offices (Rolandas Rupsye, 2005). Internal auditors which are the focus of this study and also the key employee of public offices, are expected to work independently and objectively to enhance high quality of public services, achieve good internal control system, avoid corruption, ensure good corporate governance system, promote accountability and greater transparency (Belay, 2007; Coram *etal*, 2008; Van Peurse 2005) .Providing constructive criticism and recommendations about organizations status; reduce information Therefore, it is important to have effective internal audit unit as part of modern governance system in public sector offices. In corporate governance internal audit (IA) issue has received increasing attention in recent years, due to different reasons. To mention some of them, internal audit links to the internal control-risk management system; improve organizational

efficiency and effectiveness through asymmetry during decision making; serves as an important internal assurance in the business and financial reporting process of corporations (Soh and Bennie, 2011; Cohen and Sayag, 2010; Mihret and Yismaw, 2007).

There are studies in the area of internal audit and internal audit effectiveness. However they confine their study on the two areas separately. the first set of studies confined to the analysis of the need and the way of the internal audit function (Pitten Hofter, 2001; Gupta, 2001) the second set of studies on the other hands ashes the effectiveness on internal audit function (mihret and yismaw,2007, Ditten hofer,2001 Arena and Azzone,2009).However. Effective internal audit has impact on organizations structure, focus of the function and the overall set of internal audit Function (Gopat , 2001;Diftenhofer,2001) which will further have influence on the effectiveness of internal audit function (mihret and yismaw,2008; Arena and Azzone,2009)Despite.

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

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

Taking this consideration in to account this study was focused on the depth of empirical studies that examine the influence of internal audit effectiveness in Wolkite University. A factor such as management support, organizational setting, internal audit quality, organizational independence of auditors and audit attribute was expected to study on this area. The researcher also tries to full fill the gap on this study area by assessing internal auditing effectiveness particularly in Wolkite University.

1.2Statement of the problem

The importance of internal audit function is to enhance improved accountability and greater transparency with in organizations is well noted by concerned governmental bodies and known scholars. Well performing internal audit function is one of the strongest means to monitor and promote good system in on organization; as a result in money countries it has received in increasing attention as on in portent component of government financial management and as a tool for improving the performance of the governmental organization.

Internal audit is effective if it provides the required service from the function in other words if it achieves the objectives of the function (Ditten Rofer, 2001; Mihret and Yismaw, 2007; Arena and Azzone, 2009). Barrett (1986) noted that effectiveness if internal audit con be described, but it is difficult to quantify and this effectiveness is determined by the perception of oddities, for this study, internal audit effectiveness stands for the functions ability to provide the required service. Internal audit function has objectives and to achieve its objectives there are factors that influence the achievement of these objectives.

Factor affect internal audit effectiveness organization setting, organizational independence, management support, Internal audit quality audited attributes and the inter play among them (Mihret and Yismaw, 2007). This the favorability of the five factors positively influences the effectiveness of the internal audit functions similarly, (Arena and Azzone, 2009) noted that effectiveness of internal audit function is influenced by resources and competencies of on internal audit team, activities and processers performed and organizational role Generally, The effectiveness of internal audit function is in flensed by human and capital resources available, the scope of internal audit function and the level of interaction with higher management.

Previous studies have used different approaches to investigate the internal audit effectiveness. Some All Darwish, 1990; Twaisry *etal*; (2003) adopted internal standards for professional practice of internal auditing (ISPP1A) as a guideline to investigate and determine Internal audit effectiveness, According to Getie(2011) study, the following problems exist in the Ethiopian public sectors. Those are the absence of proper internal auditing leading improper functioning of audit reports, lack of experience in the field, lack of independent, the unavailability and/or improper maintenance of documents, which will make it difficult to easily refer at the time of conducting the audit and incompliance of the internal audit principles with specified standards and policies can play a great role of achieving organizational goals.

Moreover in the above the researchers put different conclusions regarding the effectiveness of internal audit and the factors affecting on the internal audit effectiveness. In addition to this the researchers focus in country perspective rather than specific area, specific area like Wolkite University is not assessed before the researcher study. Additionally there are also gap in literature that means the factors that studied by one researcher did not studied by other researcher. So the researcher was wants to study some of the factors that does not studied on the other study. The lack of prior empirical research and gap in literature and efficient evidence was assessed the influence of internal audit to the effectiveness of the function served as a motivation for this study.

1.3. Research Question

Generally the following questions are contains in internal audit effectiveness.

- How the auditors contribute on internal audit quality on internal audit effectiveness in the organization?
- To what extent the management support contribution on internal audit effectiveness in the organization?
- How contribute organization setting on internal audit effectiveness in organization?
- Does organizational independence of internal auditors affects IA effectiveness?

1.3.1. Objective of the study

1.3.2. General objective

The main objective of this study is to assess internal audit effectiveness in Wolkite University.

1.4. Specific objective

- To assess the contribution of internal audit quality on internal audit effectiveness in the organization.
- To assess the contribution of management support on internal audit effectiveness in the organization.
- To assess the contribution of organization setting on internal audit effectiveness in organization.
- To identify the contributions of organizational independence of internal auditors for IAE in Wolkite university

1.5. Significance of the study

This study will be significant in the following ways

- ✓ Firstly it will help public organization in Ethiopia and in other countries with the some settings to evaluate the success of internal audit departments.
- ✓ Secondly, the study will contribute to the existing literature regarding the effect of internal audit effectiveness.
- ✓ Further this study will also contribute the management of the university. The importance of internal audit function is to enhance improved accountability and greater transparency with in organizations is well noted by concerned governmental bodies and known scholars.
- ✓ Findings are intended to assist Government in used to assess the internal auditing on organizational effectiveness of Wolkite University.

1.6. Scope of the study

As the research title indicate due to time and cost constraint this study was focus on the Wolkite University and the data was collected from primary data. From the factors that was studied previews on different organization the researcher focuses on the factors such as organization setting, management support, organizational independence, and internal audit quality and auditee attribute was expected to study on this area.

1.7. Limitation of the study

In the process of conducting research, there are so many challenges that might be faced by researcher's just like other researcher would be face the following limitation;

- Inability to get data at the right quantity and quality.
- Inherent complexity of internal audit process, internal audit extremely broad definition.
- Researcher limited knowledge of internal audit alternatives and involvement in business process.
- The limitation of time.

1.8. Organization of the proposal

In addition to the preliminary page, this research paper consists of five chapters. The first chapter with its sub topics was introductory parts incorporated the introduction, statement of the problem, research objectives, research questions, significant of conducting the study, scope of the study, limitation of the study, and the. The second chapter describes the detail review of related literatures with regard to the internal audit effectiveness and the variables which affect the internal audit effectiveness. The third chapter expresses the information regarding the senses techniques used to conduct the research. The fourth chapter describes data analysis and interpretation and the fifth chapters describes about conclusion and recommendation

CHAPTER TWO

LITRATURE REVIEW

2. INTRODUCTION

This chapter presents review of literature related to internal audit effectiveness. It consists of general overview about internal auditing, internal audit effectiveness. In our area of internal audit effectiveness. In general this chapter synthesized existing empirical proposal in the area of internal audit effectiveness and ends by summarizing the review and identifying gap in the existing literature.

2.1 Theoretical Review

2.2.1 Internal auditing

Internal audit has developed gradually on the base of social and economic development and the inherent needs of enterprise management (xing Dong, 1997). Similarly Dittehofter (2001) noted that internal auditing is developing as a management process in both private and public sectors. The functions aims at providing on independent opinion about wither the objectives of an organization are achieved, and it not to define the circumstance that hinder from accomplishing them (Tatiana at (2010).Thus internal audit plays significant role to achieve organizational objectives the institute of internal auditor (IIA, 1999) defines internal auditing. Internal auditing is an independent objective assurance and consulting activity design to add valve and improve organization operations. It helps on organization accomplish its objective by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

The definition signifies that internal auditing is shifted from traditional assurance service to consulting and value-adding (Roth, 2000; Bow- Road, 2000; Gupta,2001; Nagy and cenker,2002; mihret and yismaw,007;mihret and world eyohannis,2008, Brody and lowe,2001), The Function is required to provide value- adding service to organization and help to archive their organization and business objectives. Hence effective internal audit function provides the expected value-adding service from the function to the parent organization.

2.2.2 Types of Audits performed by internal Auditors

A Variety of audits is performed in the review of campus programs and resources. These audits include; Operations Audits; these audit examine the use of resources to determine it resources are being used in the most effective and efficient manner to fulfill the organization's mission and objectives. Financial Audits these audit review accounting and financial transactions to determine it commitment, authorizations and receipt and disbursement of finds are properly and accurately recorded and reported. This of audit also determines if these are sufficient controls over cash and other assets and that adequate process. Controls exist over the acquisition and use of existing resources

Compliance Audits; these audits determine it entities are complying with applicable laws, regulation, policies and procedures Information system Audits these audits review the internal control environment of automated information processing system and how people use these system. The audit usually evaluate system in put, output, processing controls; bock up and recovery plans system security; and computer facilities. Internal control Reviews ; These audits focus on the components of the major business activities such as payroll and benefits, cash hardily, inventory and equipment, physical security, grunts and contracts, and financial reporting.

2.2.3 Evolution of modern internal Auditing practice

Until the mid-20thc, internal auditors were primarily concerned with checking accounting record and detected of financial errors and irregularities. Internal auditing emerged as a profession in 1941 when the institute of internal auditors (1.A) was founded in view yak by a group of prating internal auditors. The need for a common body of knowledge and standardization of proxies was then recognized despite. This was the beginning of are process of achievement on identity for internal auditing as a dipstick profession concerned with providing independent appraises for all activities within on organization and making recommendations to management.

According to the 11A historical timeline, the first text book for are practice brinks internal Auditing was published in 1941 the 11A technical Journal, internal Audited, was first distributed, in 1943. The code of ethics was issued in 1968 and in 1978 the 11A published the standards for professional practice to serve as the primary source of reference for directing on internally audit function. The first certified internal Auditor (ICA) examinations were written in 1974 to test the

knowledge of individuals against a recognized body of knowledge before they become internal audit professionals.

Today the IIA has from stormed in to the internal audit profession's global voice, chief advocate, recognized authority, acknowledged leader, and principal educator it is internationally recognized of a trust worthy standard setting body for internal auditing and currently has membership gross 165 countries.

2.2.4 Principles of Professional Ethics

Profession is a specialized body of knowledge that provides intellectual services to the best interest of the public and which has gained public confidence and trust ethics consist of moral principles and standards of conduct implored by a profession on its members.

The American institute of credited accountings code of ethics consists of two parts. The principles and rules the principle are basis frames of references for the rules. The rules quern the performance of professional services by members and are enforceable applications of the principles.

Principle of Responsibilities

Auditor play significant role in the society by rendering different types of services that are essential to make various decisions. Auditors have responsibility to cooperate which each other to, improve their profession, mania in the public confidence, and carryout are professionally self-governance responsibilities.

Principle of Public interest

The public interest of on auditors is the collection wellbeing of the community of people and intuitional that use its services. In discharging their responsibilities Members of the profession May counter conflicting pressures between information providers and users.

Principle of Integrity

To maintain and broaden public confidence members should be perform all professional service with highest form of integrity, integrity memos in this case outing according to the code of professional conduct ethical standards).

Principle of objectivity and independence

A member should maintain objectivity and be free of conflicts of interest in discharging professional responsibility. A member in public practice should be independent in fact and appearance when providing audit and other attestation services.

Principle OF Due care

A member should observe the profession technical and Ethical standard service continually to improve competence and quality of service, and discharge professional responsibility.

Principle of scope and service

A member in public practice should observe the principles of the code of professional conduct in determining the scope and nature of services to be provided. The auditor should consider the about principles in deciding to provide the specific services in specific situations.

2.2.5 The Role of Internal Audit

According to “ Thomas Asare,2009” The role of internal auditing in the public sector can be identified as involving three main elements, namely the evaluation and improvement of risk management, control and governance processes.

1. The Role of Internal Auditing in The Public sector Governance

Public sector governance relates to the means by which goals are established and accomplished. It also includes activities that ensure a government’s credibility, establish equitable provision of services, and assure appropriate behavior of government officials which reducing the risk of public corruption (11Azoobap.3)

II. The pole of internal Audit in the public sector- control

Management control in the public sector includes all the policies procedures put in place by a government and the management of public sector entities aimed at promoting accountability of resources. Another term of management control is internal control. In the public sector, controls are mainly in built in the public financial management system.

III. The Role of Internal Auditing in the Public Sector Risk Management

The demand for proper risk management strategies in the public sector emanates from are complexity and dynamism of the operating environment, ever seriating needs of society coupled with general unpredictability pattern and dwindling of resources for national development. Risk management should constitute on essential parts of the strategic management process of any entity involved in the implementation national development strategies.

2.3 Internal audit effectiveness

Internal audit is effective if it provides the enquired service from the function or in other words if it achieves the objectives of the function (oittenhofer, 2001) Mihret and Yismaw,2007, Arena and Azzone, 2009), Barrett (1986) noted that effectiveness of internal audit can be described, but it is difficult to quantity and thus, effectiveness is determined by the perception of audited. For this study, internal audit effectiveness stands for the functions ability to provide the required service. Internal audit function has objectives and to achieve its objectives there are factors that influence are achievement of those objectives.

2.4 Factors Influencing Internal audit Effectiveness

The effectiveness of internal audit function is influenced by organization setting, management support, internal audit quality, audited attributes and the interplay among them Miret and Yismaw, 2007).Thus the favorability of the four factors positively influences the effectiveness of the internal audit function. Similarly, Arena and Azzone (2009) noted that effectiveness of internal audit function is influenced by resources and competencies of on IA team, of activities and processes performed and organizational role. Generally, the effectual vanes of internal audit function is influenced by human and capital resources available, The scope of internal audit function and the level of interlocution with higher manage.

2.4.1 Quality of internal audit department

The quality of internal audit is demonstrated by the office's capability to provide useful audit findings and recommendations (Mihret and Yismaw, 2007). These 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.

2.4.2 Organizational setting of internal auditing

According to Mihret and Yismaw, (2007) the organizational setting in which internal audit function operates has significant influence on the effectiveness of the function. It includes; Organizational status and internal organization, Organizational policies and procedures, and budgetary status of internal audit office.

The function should be given sufficiently high status in the organizational structure to enable better communication with senior management. IIA issued in 1992 five Standards and Guidelines for the Professional Practice of Internal Auditing, consolidating previous guidance. Among the five standards independence was the first. So the internal audit should have its own function so as to insure independence and maintain a separate monitoring and correcting of inefficient activities.

Furthermore, mandate of the internal audit function needs to be presented in a written charter that is comparable with the charter of the audit committee and consistent with standards of Institutes of Internal auditors (IIA). Thus, internal audit function to be effective, it needs to have clear policies and procedures against which the function's practices are gauged (see for example Mihret and Yismaw, (2007) and Asmamaw Getie,(2011)).

Furthermore, the internal audit function needs to have adequate resources to achieve its objectives (Arena and Azzone, 2009; Mihret and Yismaw, 2007; Dittenhofer, 2001). Assessing the sufficiency of resources should generally include comparisons with similar organizations, the business risks, and the degree of change within the organization.

According to (IIA) insufficiency of internal audit resources may be an indication for;

- Management does not respect the role and contribution of internal audit.
- Management include internal audit in general under-funding to meet short term forecasts.
- Management diverts internal audit resources to meet short-term goals, operational crisis and special projects.

Lack of authority for budget administration adversely influences performance of the internal audit function (Mihret and Yismaw, 2007). Hence the function needs to administer its own budget.

2.4.3. Management support

The legitimacy of the audit activity and its mission should be understood and supported by a broad range of elected and appointed government officials, as well as the media and involved citizens.(Belay, 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).

According to (IIA), the critical part of audit committee's role is to assess the relationship of the Chief Audit Executive and the management team whose support can greatly influence the effectiveness of the internal audit function and its value to the audit committee. Furthermore, there should be a good working relationships and mutual respect. 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 discharge its objective (Mihret and Yismaw, 2007).

In the value added internal auditing function, its audit approach, methodology and products and services are closely aligned to the organizations strategic and business objectives (Gupta, 2001). Thus, internal audit to provide value adding service should be designed in line with organizational objectives. Thus the IAF and management of organizations must work together for the achievement of audit objective.

2.4.4. Auditee 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).Yee et al, (2008) studied the role and effectiveness of internal audit function in Singapore. The purpose of this paper was to examine the perceptions that Singaporean senior, middle and junior managers, as important customers of internal audit services, presently have about the role and effectiveness of IA in Singapore. 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 investigated the perceptions of managers about the role and effectiveness of internal audit function, it is one component of internal audit effectiveness.

The ability to perform an internal audit is not to be restricted due to lack of access to relevant information. If any difficulties are experienced during an audit in regard to access to information, the issue is to firstly be discussed with senior management of the area, and if not resolved, with the Chair of the agency Audit Committee.

2.4.5. Organizational Independence

The other factor that may affect the effective government audit activities is the need of organizational independence and objectivity which can allow the audit activity to conduct work without interference by any party. The independence and objectivity of internal auditing is with respect to both assurance services and consulting for the organization. Independence and objectivity are closely related where the freedom from conditions that may threaten objectivity and no significant quality compromises are made during rendering the audit service (Altamonte Springs, FL. IIA, 1999a). In fact, the audit activity should have sufficient independence from those it is required to audit so that it can both conduct its work without interference and be seen to be able to do so (Institute of Internal Auditors, 2001).

This is very crucial element in conducting audit because the auditors can access to any document relating to the audit work without favor and fear. This will make the auditors provide the objective report and reliable professional judgment on the auditing work to achieve the mandate given to them with integrity. Independence of auditors would not be considered to be impaired if the auditors do not appear to act in a capacity equivalent to a member of client management or as an employee (Caplan and Kirschenheiter, 1999). In certain extent there is a confusion of the role of IA as internal auditors are part of the management team and at the same time to independently evaluate management's effectiveness and efficiency (Saren and De Beelde, 2006).

2.4.6. Empirical Review

Some empirical studies have been done on this subject matter in some countries of the world .Mihret and Yismaw (2007) did a study entitled “internal audit effectiveness” an Ethiopian public sector case study. The study which used structured, questioners, interviews and observation as instruments of data collection discovered that certain factors such as internal audit quality, support from government etc strongly affect effectiveness of internal audit while organizational structure and internal audit attributes have less impact on the same variables

Shewamene.H (2016) in his paper entitled” determinants of internal audit effectiveness” The main purpose of this study is to investigate on the determinants of internal audit effectiveness in the selected Ethiopian public sector offices. This investigation is focused on 15 purposely selected public sector offices that are expected to represent all other sectors. The management teams and the internal auditors of the selected public sector office are the source for the required data to the researcher through the questionnaires administered. In addition, the finding of this study is to show the direct relation effects of management perception, management support, organizational independence of internal auditors, adequate and competent internal auditor’s staff and the presence of approved internal audit charter with the internal audit effectiveness on the public sector management.

According to the regression output the management support, the existence of adequate and competent IA staff, and the availability of approved IA charter were contributed for the internal audit effectiveness in the public sector significantly and positively. The remaining two variable; the managements perception for the IA value and the organizational independent of internal auditors were positively related with the IAE but their contribution for the IAE were statistically not significance. All of these five independent variables are making 55.10% of the contributions for internal audit effectiveness in the public sector offices. Arena and Azzone (2009) in their study entitled “identifying organizational drivers of internal audit effectiveness in Italy” with the use of 153 Italian companies and survey method found that characteristics of internal audit team the audit processes and activity as well as organizational links influenced effectiveness of internal audit.

2.5. Conclusion and Knowledge Gap

This chapter consists of theoretical and empirical review. These literatures collect from privies studies and different books. The researcher address mining of internal auditing; internal auditing is an independent appraisal functions within an organization to examine and evaluate its activity as a serve to organization (IIA).the objective of internal audit is to axis member of organization in the effective discharge of their responsibility,(Engle T ,J,1999) characteristics of internal auditing; auditors are company employee, review of company activities is continuous, primary concern is in serving the needs of the organization.etc. The factors affecting the effectiveness of internal auditing like quality of internal audit department, organizational setting of internal

auditing, management support and auditee attributes are the main factors (Mihret and Yismaw,2007).and other factor affecting the effectiveness of internal audit; organizational independence.

Internal audit effectiveness has been the focus of theoretical and empirical auditing research. Plenty of studies investigated the internal audit effectiveness in different countries only a limited study had been conducted in the area from developing countries like Ethiopia. Most of the researches related with internal audit are vast in scope and that the researchers use as literature review for this study. And also the researchers (Mihret and Yismaw and Shewamene) put different conclusions regarding the factors determining the effectiveness of internal auditing.

Moreover in the above the researchers put different conclusions regarding the effectiveness of internal audit and the factors affecting on the internal audit effectiveness. In addition to this the researchers focus in country perspective rather than specific area. Additionally there are also gap in literature that means the factors that studied by one researcher did not studied by other researcher. So the researcher was wants to study some of the factors that does not studied on the other study. The lack of prior empirical research and gap in literature and efficient evidence was assessed the influence of internal audit to the effectiveness of the function served as a motivation for this study.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1. Introduction

This chapter consists three sections. The first section presents the research design that will adapt. The second section outlines the data type and source. Third section will present data analysis and interpretation methods.

3.2. Study Area.

This study was conducted on Wolkite University to identify the assessment of internal audit effectiveness.

3.3 Research Design

This research design is the arrangement of condition for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedures the researcher was used only descriptive study are those studies which are concerned with describe characterizes of a particular individual or group. The research design must make enough provision of protection against bias and maximize the reliability with due concern for the economic and completion of research study.

Data are analysis by both quantitative and qualitative approach. Quantitative approach is measurement of quantity or amount. On the other hand qualitative approach involving quality or kind us descriptive type of research design depending up on the above definitions the study is descriptive because the analysis of the researcher was described theoretically

3.3.1. Data Type, Source and Methods of Collection

3.3.2. Data Type

To undertake this study only primary data had been used. Because the study area is no far so the researcher can get sufficient information from staff.

3.3.3. Source of Data

The study was conducted by collecting data from primary source. Primary data is collected from the staffs through questioners and interviews.

3.3.4. Method of data collection

The task of data collection begins after a research problem had been defined and research design/ plan chalked out. While deciding about the method of data collection to be used for the study, the researcher used primary data. The primary data are those which are collected afresh and for the first time, and thus happen to be original in character. Primary data will be collected by using questioner and interviews.

Interview; this type of data collection involves presentation of oral –verbal stimuli and reply in terms of oral-verbal responses and has to collect information personally from the sources conducted. This type of data collection is useful for this study because the number of auditor in Wolkite University is small in number. So it is not difficult to contact all staff member. Personal information is obtained easily under this method.

Questionnaire; as listed on the above questionnaire is use for this study. This type of data collection method is quite popular, particularly in case of big enquiries. The question is mailed to respondent who are expected to read and understand the question and write down the reply. This method of data collection is low cost, free from bias, the respondents have adequate time to give the answer and the respondents who are not easily approachable can also be reached conveniently

3.3.5. Population and Sampling Size

In research methodology, population is the entire aggregation of items from which sample can draw (Yahiya, 2011).All the items under consideration in any field of inquiry constitute a universe or population. No need of sampling for this study. The census technique is implemented for this study. A complete enumeration of all the items in the population is known as censuses inquiry. It can be presumed that in such an inquiry when the all items recovered no element of chance is left and highest accuracy is obtained. The number of internal audit staff in Wolkite University is eight in number, so it is possible to cover all members of staff.

3.3.6. Method of data analysis

In research methodology, population is the entire aggregation of items from which sample can draw (Yahiya, 2011). All the items under consideration in any field of inquiry constitute a universe or population. No need of sampling for this study. The census technique is implemented for this study. A complete enumeration of all the items in the population is known as census inquiry. It can be presumed that in such an inquiry when the all items recovered no element of chance is left and highest accuracy is obtained. The number of internal auditor in Wolkite University is eight in number, so it is possible to cover all members of

CHAPTER FOUR

DATA ANALIYIS AND INTERPRITATION

4.1. NTRODUCTION

This chapter includes the presentation and analysis of the data collected from Wolkite University internal audit service. The analysis of the data collected through questionnaire is based on descriptive percentage analysis which is calculated from the response of the questionnaire. The questionnaire was sent to all staffs of the internal audit. The head of the internal audit service was interviewed based on a structured interview. For the purpose of simplicity the interview and the questionnaire will be analyzed simultaneously. The analysis further compares the result of the research with other findings.

4.2. Background of Respondents

Table 4.1 **Background of Respondents**

No			No	%	Total	
1	Field of study	Accounting Management Economics	4	80	5	100%
		Others	1	20		
2	Level of education	Technical school certificate, Diploma			5	100%
		Bachelor degree	5	100		
		Master's degree				
		Others				
3	Work Experiences	1-5 years	2	40		100%
		6-10years				

		11-15years	1	20		
		16-20years				
		Over20 years	2	40	5	

Source: Primary data

Table4.1. depicts the personal characteristic of sampled respondents. It can be shown in table 4.1 above, with regarding the field of study of the auditor 4(80%) of the auditors are accounting and 1(20%) of auditor is accounting and auditing and plant science. With regarding the level of education 5(100%) of auditors are bachelor degree. Regarding the level of experience of employees 2(40%) of respondents have experience between 1 and 5 years, whereas 2(40%) of respondents had experience between11-15. There is 1 (20%) respondent who has work experience above 20 years. This reflects that the university has well experienced employees to adapt new technologies related with internal audit.

4.2 Analysis of the Case Study Evidence

The University has internal audit service so as to support effective management. The internal audit service staffs have eight internal auditors in number: Those are senior financial audit team leader, second stage financial audit team leader , financial audit team leader ,senior property audit team leader , second stage audit team leader ,property audit team leader ,senior performance audit team leader and performance audit team leader one internal audit service head, one secretor and six auditors. Under any audit engagement the audit staffs form a team (which has to contain not less than six auditors). Internal Auditors in wolkite university were small in numbers so, the auditors were selected and questionnaire was distributed for the senses technique used to selected the population. The employees had been given both open-ended and Link skirts questions. Most of the link skirts questions have to be answered by the employees based on strongly agree, Agree, Disagree, Natural, Strongly disagree questions. The data collected for the purpose of evaluating the effectiveness of the audit function is classified in to five categories namely internal audit quality, management support, organizational setting, organizational Independence of auditors and auditee attribute. The results are in directed in the following table.

4.2.1 Internal Audit Quality

The quality of internal audit staffs will significantly affect the effectiveness of the internal audit function. Thus the IAF must be composed of skilled and competent staff and also conflict of interest should not be the bottleneck for the effectiveness of internal audit. The auditors shall also have the willingness to develop and update their knowledge in the subject matter. When engaging in audit the auditors should have to plan the audit in a detail and clear way so that the team of the audit can hold common understanding and work for the same goal. In engaging in to any audit the auditor leading the team must have to control the field work for the purpose of achieving the audit objective and documenting sufficient and reliable evidence. After the completion of the audit the audit team must have to meet and discuss on the finding. After the audit is completed it has to be reported to the proper authority (management) not only reporting but the internal auditors have to follow up the implementation. The quality of the internal audit will be analyzed by the Staff expertise, Salary Level, Sufficient Pre-planning, Short term Training, auditees before reporting, and Report to board of director. So this factors based on respondent idea discussed following Table

Table4.2 **quality internal audit**

A. Internal audit quality	SA	A	N	SD	D
1. Internal auditors possess sufficient experience to understand the organization system...	62.5%	37.5%	0%	0%	0%
2. Adequate short term training arranged for internal auditors each year...	25%	0%	0%	75%	0%
3. Salary levels sufficient to allow the organization to attract retain auditors...	0%	0%	0%	50%	50%
4. Sufficient pre-planning and coordination by the internal audits with the department....	75%	25%	0%	0%	0%
5. Audit findings discussed with auditee's before reporting...	75%	25%	0%	0%	0%
6. Internal audit provide reports to board of director (audit committee)...	75%	25%	0%	0%	0%

Source: questionnaire

Staff expertise: - Auditors shall maintain the required skilled and knowledge and have to work hard to improve their knowledge and skill. The quality will not only be limited on the existence of skilled and competent staffs, rather the audit staff need to hold sufficient experience to conduct the audit. Evidences from questionnaire show that above half of the internal auditors have first degree qualification and Master's Degree Educator. 80% of the auditors have the knowledge and skill of accounting and are continuing (20%) are others. The experience of the auditors also shows that; 60% of the respondents have more than 5 year experience of working as auditor where as 40% of them are less than 5 year.

With regard to adequate short term training arranged for internal auditors each year 25% of respondent said strongly agree. The remaining 75% of respondent strongly disagree about adequate short term training arranged for internal auditors each year. This implies the auditors is not give adequate short term training arranged for internal auditors each year.

Salary level; According to the above table, 50% of respondent said strongly disagree about the Salary levels sufficient to allow the organization to attract retain auditors, the other 50% of respondent disagree Salary levels sufficient to allow the organization to attract retain auditors In general, 100% of respondent disagree the salary to receiving and the salary paid to the auditors is not enough to attract new auditors. The data collected also shows that the auditors, in every of their engagement doesn't consider specialization on the auditee working environment. All the respondents also argue that they are not satisfied with the salary they are receiving and the salary paid to the auditors is not enough to attract new auditors.

The evidence from past study shows that responses to questionnaires of the internal audit office at the university is not performing up to the expectation of the respondents; one of the reasons frequently cited being inadequate staff expertise. What makes the two universities similar is, the internal auditors of the institutions don't consider specialization on auditees working environment and lack skill and knowledge of the staffs

Pre-Planning of the Audit: - The internal audit quality also depends on the ability of the internal audit service to pre-plan and coordinate audit engagement. Planning the audit includes preparing a strategic plan, annual plans and programs for individual audit assignments. All of the auditors respond that the audit function prepare annual plan and program for each audit

engagement but in the interview response the auditor doesn't disclose if strategic plans were developed and the document was not found in the plan . The reviews of the documents also support the issue of preparing the annual plan but figured out that the plans are general and are not strategically looked deep and also type of audit to be performed in the functions is not mentioned. This shows that the internal audit service plan its annual activities only to the budget purpose.

With regard to Audit findings discussed with auditee's before reporting 75% of respondent said strongly agree. The remaining 25% of respondent agree about Audit findings discussed with auditee's before reporting, in general, all100% of respondent agree the auditors discussed Audit findings with auditee's before reporting.

According to above table 75% of respondent said strongly agree about Internal audit provide reports to board of director (audit committee). The remaining 25% of respondent agree about Internal audit provide reports to board of director (audit committee).This implies Internal audit provide reports to board of director, the quality of internal audit is demonstrated by the office's capability to provide useful audit findings and recommendations (Mihret and Yismaw, 2007). These 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.

4.2.2 Management Support

Management support is one of the highly significant factors that affect the internal audit effectiveness. The ultimate objective of any audit is to assess misstatement and report to the management for correction. If the management fails to respond to the audit finding, the objective of the audit will not be achieved. This will lead the auditors to be careless and can't be committed to their work. Not only responding to the audit finding, the management of the organizations shall work on to strengthen the internal audit function. The management support is assessed by looking into the management response and the management's commitment to strength the internal audit function. The respondent answer is presented the following table

Table4.3 Management support

B. Management support	SA	A	N	SD	D
1. Management give incentive to appreciate and strength the work of internal audit....	25%	0%	0%	75%	0%
2. Management give corrective action and monitor the action implemented	38%	0%	0%	62%	0%
3. Management of university take timely corrective action based on interregal audit recommendation	62%	0%	0%	38%	0%
4. Assisting management by identifying risk exposures of the organization...	25%	0%	0%	75%	0%
5. Providing conciliating serves to management where internal audit has the expertise	75%	25%	0%	0%	0%

Source: questionnaire

In the table 4.2 shows 25% of the respondent say strongly agree with Management give incentive to appreciate and strength the work of internal audit, the other 75% respondent strongly disagree on the Management give incentive to appreciate and strength the work of internal audit, This implies that Management is not enough to give incentive to appreciate and strength the work of internal audit.

According to the above table 38% of staff members said strongly agrees on the Management give corrective action and monitor the action implemented. The remaining 62% of staff members said strongly disagree on the Management give corrective action and monitor the action implemented. This implies that the Management is not enough to give corrective action and monitor the action implemented. But this does not that mean that the management is do not give any corrective action and monitor the action in the audit finding.

With regard to Management of university take timely corrective action based on interregal audit recommendation 62% of the respondents said strongly agree, the other 38% of respondent strongly disagree about the Management of university take timely corrective action based on interregal audit recommendation. This implies Management of university take timely corrective action based on interregal audit recommendation.

With regard to assisting management by identifying risk exposures of the organization 25% of respondent said strongly agree, the remaining 75% of respondent strongly disagree about the Assisting management by identifying risk exposures of the organization. This shows the management is not enough to assisting by identifying risk exposures of the organization.

According to the above table, 75% of respondent said strongly agree on the Providing conciliating serves to management where internal audit has the expertise the other 25% of respondent agree about the Providing conciliating serves to management where internal audit has the expertise in general, 100% all of the respondent agree Providing conciliating serves to management where internal audit has the expertise.

4.2.3 The Organizational Setting

As discussed in this research, the organizational setting of the internal plays a significant role in organizations. Organizational profile, internal organization, organizational policies and procedures and budgetary status of internal audit office will be assessed to evaluate the contribution of the organizational setting to the effectiveness of internal audit.

Table 4.4 Organizational setting

C. Organizational setting	SA	A	N	SD	D
1. The purpose of internal audit is clearly defined...	75%	25%	0%	0%	0%
2. There is a complete internal audit Manual to guide internal audit	75%	25%	0%	0%	0%
3. Internal audit department large enough to contribute successfully carryout its duty.....	87%	13%	0%	0%	0%
4. The internal audit staff possesses knowledge and skills in a variety of area (beyond accounting and finance) as necessary.....	63%	0%	0%	0%	37%
5. The internal audit is free from intervention in performing its duties...	75%	0%	0%	12%	13%
6. Internal auditors feel free to include any audit findings in their audit report.....	75%	0%	0%	0%	25%

Source: questionnaire

Organizational profile: - Every public and private 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 auditee. The department should also have to be near to the management for consulting the management and assessing the need of the management to meet their need. According to the above table 75% of the respondents strongly agree about the purpose of internal audit is clearly defined, the remaining 25% agree the purpose of internal audit is clearly defined. This implies that the staffs of the internal audit are independent (because of the position that the internal audit function hold) was tested with the questionnaire and concluded that the internal auditors are independent or the functional position of the audit service have contributed to the independence of the audit staffs.

The research conducted in 2007 at Addis Ababa University by Mihret and Yismaw shows the same result like the finding of this research. The internal audit function of the university is separate and operating as an office reporting to the President and this provides the office with the requisite independence from the auditees.

Internal organization: - The other component of the organizational setting is the internal structure of the internal audit. With regard to complete internal audit Manual to guide internal audit 75% of respondent said strongly agree. The reaming 25% agree about complete internal audit Manual to guide internal audit. This implies the number of staffs and the directors and team leaders has to be sufficient to conduct the audit and give reliable finding

The organization policy and procedures: - Clear and understandable policies and procedures must have to be maintained in order the internal audit to be effective. With regard to internal audit department large enough to contribute successfully carryout its duty 87% of the respondent said strongly agree. The remaining 13% agree about the internal audit department large enough to contribute successfully carryout its duty, in general, all the respondents clarify that there are clear and defined policies and procedures in the internal audit functions. The respondents (100%) reveal that the university follows clear and defined policies and procedures to measure the university's practice. This policy and procedures are common for all public organizations in Ethiopia and are introduced by Mo FED. This component of the organizational setting factor is rated fairly in terms of its influence on audit effectiveness.

With regard to internal audit staff possess knowledge and skills in a variety of area 63% of respondent said strongly agree, the other 37% of respondent strongly dis agree about the internal

audit staff possess knowledge and skills in a variety of area. This shows that the internal audit staff possesses knowledge and skills in a variety of area (beyond accounting and finance) as necessary.

With regard to the internal audit is free from intervention in performing its duties 75%, 12% and 13% strongly agree, strongly dis agree and dis agree respectively with the internal audit is free from intervention in performing its duties. This implies the internal auditors free from intervention in performing its duties. With regard to Internal auditors feel free to include any audit findings in their audit report 75% of respondent said strongly agree, the other 25% of respondent dis agree about internal auditors feel free to include any audit findings in their audit report. This implies internal auditors feel free in their audit report including any audit finding.

4.2.4 Auditee Attribute

To achieve internal audit effectiveness, the auditors shall have access to any of the relevant information held by the auditee. All respondent answer discussed below

Table 4.5 Auditee attribute

D. Auditee attribute	SA	A	N	SD	D
1. Auditees regard internal audit as value adding service...	75%	25%	0%	0%	0%
2. Internal auditors receive full cooperation from auditee (the unit being audited)....	75%	25%	0%	0%	0%
3. Internal auditors have full access to records information they need in conditioning audits.	13%	75%	12%	0%	0%

Source: questionnaire

As the above table shows 75% of the respondent say ‘strongly agree’ auditees regard internal audit as value adding service and the other 25% respondent say agree about the auditees regard internal audit as value adding service. This implies the auditees regard internal audit as value adding service. On the basis of the above table 75% of the respondent strongly agree internal control have full cooperative from unit being audited and 25% of respondent say agree. This implies Internal auditors receive full cooperation from auditee (the unit being audited) And also 13% of respondent strongly agree internal auditors have full access to record information they

need in conditioning audit and 75% of respondent say agree,12% of respondent natural. This implies internal auditors have full access to records information they need in conditioning audit.

4.2.5 Organizational Independence

As discussed in this research organizational Independence is fundamental to the reliability of auditor's reports all respondent answer discussed below

Table 4.6 **Organizational Independence**

E. Organizational Independence	SA	A	N	SD	D
1. Auditor perform the auditing activities without any interference from anybody and without any influence from the office or sector	25%	0%	0%	75%	0%
2. The auditor freely decide the scope, time and extent of auditing procedures based on auditing standards and the office or sector policy	0%	25%	0%	75%	0%
3.The auditor objectively examine auditing issues only meeting on reliable audit evidence and no management interest is involved for adjustment beyond auditing standard and values	37%	0%	%	63%	0%
4. The auditor feel free to include any auditing finding work and report directly to responsible body	0%	0%	0%	75%	25%
5. The auditor can freely access necessary document information and data about the organization or sector for my audit work	63%	0%	0%	0%	37%

Source: questionnaire

In the table 4.5 shows 25% of the respondent said strongly agree auditors perform the auditing activities without any interference from anybody and without any influence from office or sector, the remaining 75% of the respondent say disagree. This implies that majority of the Auditor displays that there is the interference from the office and department office while the auditor performs his auditing activity

With regard to internal auditors of wolkite university is freely decide the scope , time and extent of auditing procedures based on auditing standards and the office or sector policy 25% of the staff members said agree. The remaining 75% said strongly disagree. This implies that the

internal auditors of wolkite university is not freely decide the scope, time and extent of auditing procedures based on auditing standards and the office or sector policy.

With regard to auditor objectively examine auditing issues only meeting on reliable audit evidence and no management interest is involved for adjustment beyond auditing standard and values 37% of staff members vote 'strongly agree'. And the remaining 63% of the respondent said 'strongly disagree'. This implies to auditor objectively examine auditing issues not only meeting on reliable audit evidence and management interest is involved for adjustment beyond auditing standard and values.

With regard to The auditor feel free to include any auditing finding work and report directly to responsible body 75% of the respondent said; strongly disagree and 25% of respondent say disagree 'this implies The auditor is not feel free to include any auditing finding work and report directly to responsible body.

With regard auditor can freely access necessary document information and data about the organization or sector for my audit work63% of the respondent said 'strongly agree 'and 37% of respondent say disagree. This implies that internal auditors of Wolkite University more or less can freely access necessary document information and data about the organization

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The study which was conducted at Wolkite University focused on the assessment of the effectiveness of internal audit, which is discussed in data presentation and analysis section. Therefore, based on the major findings of the study the following conclusions and recommendation were made.

5.2 Conclusion

Depending on the finding of the study, the following conclusions were made; Most of the auditors of Wolkite University have an educational status degree by a counting field of study and also most of the auditors are well experienced.

According to the response of our respondents, wolkite university internal audit quality have problem regarding the experience of the auditor, to understand organizational system, arrangement of short term training to auditors, salary level of the auditors and pre-planning and coordination by the internal audit. According to the response of the respondents there is no sufficient salary level at all. And also there is no short term training to internal auditor. Therefore there is a problem regarding quality of internal audit in internal audit department of Wolkite University.

All most all of the respondents agree or positive response for questioners regarding organizational setting of internal audit department in Wolkite University. Therefore internal audit of Wolkite University is good regarding organizational seething.

Management supports is one of the most important and greatly influence the effectiveness of internal audit. Without the support of the higher management body internal audit will not be effectively discharge its objectives. However most of the internal auditors of Wolkite University is not agree on the management support of internal auditors. So there is a problem on the management support of wolkite university internal audit department.

The researcher concludes there is good auditee attributes in wolkite university internal audit department. Because all our respondents are agree on auditee attributes. So internal audit of Wolkite University is best regarding auditee attributes.

For the purpose of the case study independent refers to the concept of being free from any management influence while internal auditors perform audit activities and issue audit report. Independence is fundamental to the reliability of auditor's reports. Depending up on the response of our respondents internal auditors does not perform their audit work without interference of other body and without influence from other office or sector. The intervention of other sector

office is starting from audit planning up to audit report there is a problem of independency in internal audit department of Wolkite University.

5.3 Recommendations

In light of the findings of the study the researchers forwarded the following possible recommendations in order to come up with the problem being observed from the assessment of the effectiveness of internal audit in Wolkite University.

- ❖ The finding of this research proved that the management support given to internal auditors has a problem. so, wolkite university should support more for the internal audit functions by facilitating the IA works, should recruited more adequate and competent IA staff and give sufficient training and professional certification for the existing IA staffs, and should maintain the approved IA charter and workable manuals for their office because it directs the overall activities of the internal auditors in line with IIA standards and the office policies and guidelines. Management of university must take timely corrective action based on interregnal audit recommendation and identify risk exposures of the organization. The management of the organization is must use computerize reporting system instead of paper work.

- ❖ The quality of internal audit is demonstrated by the office's capability to provide useful audit findings and recommendations. These 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, salary level and effective communication. There is a problem in quality of internal audit in wolkite university internal audit department. So to detect this problem internal audit department should be give adequate short term training for internal auditor, and also wolkite university internal audit department should be pay sufficient salary for auditors in order to increase work habit of the worker and give incentive to appreciate and strength the work of internal audit.

- ❖ Accounting information and communication system is the major components of internal control system that are used to initiate record, process and report the organizations transaction and maintain accountability for the related assets. Therefore, the organization should use the information in controlling activities, process and day to day function which leads to financial reporting and create an open communication channels between the employees and management.

- ❖ Appropriate documentation is an important for correct recording of transaction and controls of asset in the organization. So every disbursement should be properly

authorized and supported by appropriate documentation in order to establish effective internal control system in the organization.

- ❖ To operate effectively internal auditors must be independent of the line functions in an organization. Making internal auditors directly to the MOFED to boost their independence.

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Appendix
WOLKE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Dear respondents;

The enclosed questionnaire is aimed at exploring information regarding the internal audit effectiveness. The questionnaire has been sent to all internal auditors in the organization. The response will be used for part of the data needed for the study of *“to assess internal audit effectiveness; in Wolkite university”*. The result of the study is expected to contribute the understanding of internal audit effectiveness of the internal audit function and for fulfilment as a partial requirement for BA degree in accounting and finance. Therefore, I believe you will assist the completion of the study by participating.

The questionnaire includes all the directions necessary to complete the response without assistance. Since the success of this study depends on the organization of all targeted respondents, the information that will be obtained from the questionnaire will not identify individual respondents in the study. Hence, your response will be used in aggregate terms. I would also like to assure you that the information you provide will be accessible only to the undersigned researcher only.

INSTRUCTION;

- ✓ *In all cases, where answers to options are available, please tick (✓) in the appropriate box.*
- ✓ *For questions that demand your opinion, please try to honestly describe your responses on the space provided.*
- ✓ *Don't write your name.*

**Your honest and thoughtful response is invaluable
Thank you for your participation!!**

Section-I General Questions

The following questions are prepared to get general information. Please respond by putting (√) or by writing your answer.

1. Current position in your organization: _____

2. Field of study:

Accounting Management Economics others
 (specify) _____.

3. Level of education: Technical/vocational school certificate (college/ University diploma
 Bachelor’s degree Master’s degree others (specify) _____

4. Please indicate your years of experience as an internal auditor in this organization?

A/ 1-5 B/ 6-10 C/ 11-15 D/ 16-20 E/ Over 20 years

Section two (ii)

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

A. Organizational setting	SA	A	N	SD	D
1. The purpose of internal audit is clearly defined.....\					
2. There is a complete internal audit Manual to guide internal audit					
3. Internal audit department large enough to contribute successfully carryout its duty.....					
4. The internal audit staff possesses knowledge and skills in a variety of area (beyond accounting and finance) as necessary.....					
5. The internal audit is free from intervention in performing its duties...					
6. Internal auditors feel free to include any audit findings in their audit report.....					

If any another

B. Internal audit quality	SA	A	N	SD	D
1. Internal auditors possess sufficient experience to understand the organization system...					

2. Adequate short term training arranged for internal auditors each year...					
3. Salary levels sufficient to allow the organization to attract retain auditors...					
4. Sufficient pre-planning and coordination by the internal audits with the department....					
5. Audit findings discussed with auditees before reporting...					
6. Internal audit provide reports to board of director (audit committee)...					

If any another

C. Management support	SA	A	N	SD	D
1. Management give incentive to appreciate and strength the work of internal audit....					
2. Management give corrective action and monitor the action implemented					
3. Management of university take timely corrective action based on interregnal audit recommendation					
4. Assisting management by identifying risk exposures of the organization..					
5. Providing conciliating serves to management where internal audit has the expertise					

If any another

D. Auditee attribute	SA	A	N	SD	D
1. Auditees regard internal audit as value adding service...					
2. Internal auditors receive full cooperation from auditee (the unit being audited)....					
3. Internal auditors have full access to records information they need in conditioning audits.					

If any another

E. Organizational Independence	SA	A	N	SD	D
1. Auditor perform the auditing activities without any interference from anybody and without any influence from the office or sector					
2. The auditor freely decide the scope, time and extent of auditing procedures based on auditing standards and the office or sector policy					
3. The auditor objectively examine auditing issues only meeting on reliable audit evidence and no management interest is involved for adjustment beyond auditing standard and values					
4. The auditor feel free to include any auditing finding work and report directly to responsible body					
5. The auditor can freely access necessary document information and data about the organization or sector for my audit work					

If any another
