ASSESSMENT OF INTERNAL AUDITING EFFECTIVENESS (IN CASE OF FINANCE AND ECONOMIC ADMINISTRATION OF WOLKITE TOWN)

A RESEARCH PAPER SUBMITTED TO DEPARTMENT OF ACCOUNTING AND FINANCE IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGRE OF BACHELOR OF ART (BA) IN ACCOUNTING AND FINANCE

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ADVISORS' APPROVAL SHEET

This is to certify that the thesis entitled "**Assessment of Internal Auditing Effectiveness in Finance and Economic Development office of Wolkite"** submitted to the department of Accounting and Finance in partial fulfillment of the requirements for the Award Bachelor of Degree in Art (BA) in Accounting and Finance, and has been carried out by **KASAHUN HUNDE ID NO: 0708/12** under my supervision. Therefore, I recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the school.

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LIST OF ACRONYMS AND ABBREVIATIONS

CGA	Controller General of Accounts
IAW	Internal Audit Wing
IES	International Education Standard
IA	Internal Audit
IIA	Institute of Internal Auditors
SPPIA	Standards on the professional practice of internal auditing
WTO	World Trade Organization
CPE	Competence/Continuing Professional Education

ABSTRACT

This study aimed at assessment of internal auditing effectiveness in finance and economic administration office of Wolkite. The study used judgmental sampling technique to select respondents contingent on their responsibilities and willingness to reply to numerous questions and used descriptive data analysis method to show accurately the characteristics of particular internal audit situations. According to the outcome, the internal audit department is organized to control the expenditures, economic performance and in other works related to financial activities. The finding of the research indicated that the organization have developed faith in internal audit works to ensure independence of internal audit from the audits. Even though the surviving internal auditors are fit in terms of experience, they are not competent due to the lack of the upgrading of educational level and training of internal auditing in the organization. Based on the financial audit division head the practices in the organization like governmental rules and regulations have been followed and procedural tests such as flow charts and manuals have been surveyed to give adequate services for the patrons. In addition, more than half of respondents were trusted the operational division consistent and honesty in operating information, and perform as per the objectives and goals. The study highlights that internal audit effectiveness is strongly influenced by internal audit quality. In the organization, experienced professionals should be invited to increase the productivity. Internal audit employees should have to upgrade their educational level to be effective and efficient in their performance.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The term audit comes from the Latin word audit are, which has the significance “to listen”. A duly appointed auditor defines an audit as an independent examination and expression of opinion on the financial statements of an enterprise in pursuance of a relevant statutory or professional obligation. The most general definition of audit is an examination of person, organization, system, process, project or product. Audits are performed to ascertain the validity and reliability of information and to provide an assessment of the internal control of the system (Cecilia, 2003).

Audit in general, is a systematic process of objectively obtaining and evaluating the information or statements to assess their degree of compliance with predetermined criteria, and communication of results to interested users. The audit consists of checking and certifying the financial statements by an independent expert to provide an opinion on the facts and accuracy of the data contained therein. The role of audit is to provide users with information on the principles and accounting practices and presentation of financial statements accurate picture, clear and complete financial position and financial performance of the company (Wanda, 1994).

The importance of accounting is inextricably linked to economic, political, social, and cultural realities of nations (Toms, 2005). Uddin and Hopper (2001) and Wickremasinghe and Hopper (2005) provide some evidence of how country specific dynamics influence accounting. As society is a broad concept in which economy, politics, religion, and social relations are embedded, accounting and thus internal audit, tend to be influenced by the contextual dynamics that prevail in a society (Polanyi 2001).

The growing trend of the economy could suggest the need for state-of-the art accounting and audit practices. This is because accounting is regarded as having the capacity to support economic development (Asechemie 1997; Wallace1999; Willmott 1986).

Einthoven (1965 p.31) states, effective accounting controls and accounting practices will tend to stimulate the flow of foreign and domestic private capital '. (Dessalegn, 2010) Ethiopia's high external debt and its planned accession to WTO would make accounting and audit best practices in the Country imperative. Modern accounting and audit practices could enable Ethiopian organizations to achieve enhanced efficiency and effectiveness thereby advance the Nation's competitiveness.

Internal audit is intended to be an independent, objective assurance and consulting activity designed to add value and improve an agency's operations. It can be an important part of the internal control framework and help an agency accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, internal controls and governance processes (Bruce and Colin, 2017).

According to the IIA (2013), the internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the definition of internal auditing and the standards and an evaluation of whether internal auditors apply the code of ethics. The quality assurance and improvement program also assess the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

1.2 Statement of Problem

Internal auditing decomposes the examination and evaluation of the adequacy and effectiveness of the organization system of internal control and qualities of performance in carrying out assigned responsibilities. Internal auditing is a service function established within the organization to examine and evaluate its activities. Internal auditing may focus on financial audits. Compliance audit, fraud audit, internal auditors usually assist management in ensuring that there is proper internal control system in place and the operation of the enterprise (organization) is operated in effective and efficient manner. It is clear that in adequate internal control can expose the organization to various problems. Therefore, according to the above information, the study was come up with some solution to the problem identified.

Wolkite town administrative Finance and Economic Development office has auditing section, which is assumed to regularly follow and check as to whether the directive and the rule are in place and being appropriately applied. So far, no report of the auditing section indicates the cause of the problems. These enforced the researcher to suspect whether the activity of auditing section is in their place and discharging their responsibility of auditing efficiently and effectively. Therefore, this paper will intend to study the effectiveness of internal audit of Wolkite town administrative Finance and Economic Administration office.

Therefore, this respect a research was carry out to study the situation of Assessment of Internal Auditing Effectiveness in Finance and Economic Administration office Wolkite town.

1.3. Research of Questions

In this research, the researcher believed that the research paper would answer the following important question.

1. How to identify the quality of internal audit worker in Finance and Economic Development office in Wolkite town administration?
2. How to assess internal auditing as internal control in Finance and Economic Development office in Wolkite town administration?
3. What are the limitations of internal audit practices in Finance and Economic Development office in Wolkite town administration?
4. How to encourage Wolkite town administration Finance and Economic Development office to prepare strong internal audit report?
5. How to assess the importance of internal auditing system in the existing condition with in the wolkite office Finance and Economic Development?

1.4. Objectives of Study

1.4.1. General Objective

The general objective of the study was to evaluate and examine whether the Finance and Economic Development office of Wolkite internal auditing practice is effective and efficient or not.

1.4.2. Specific objective

- To identify the quality of internal audit worker of Wolkite city administration of Finance and Economic Development office.

- To assess internal auditing as internal control in Wolkite town administration of Finance and Economic Development office,
- To assess limitation of internal audit practices in Wolkite town administration of Finance and Economic Development office,
- To encourage Wolkite town administration Finance and Economic Development office to prepare strong internal audit report and

- To assess the importance of internal auditing system in the existing condition with in the Wolkite city administration of Finance and Economic Development office.

1.5. Significance of the Study

The importance of this research is expressed in the following ways:

First, it benefited the researcher to grasp good experience and knowledge for further study related to the concept of internal auditing. Secondly, it helps Wolkite town administration of Finance and Economic Development office to know about the Internal Auditing effectiveness and quality problems and to take remedial measures to reduce its impacts once the problems occur. Generally, the study serves to address the user's future needs for internal auditing and serves as a benchmark for further studies that take similar or related development challenges.

1.6. Scope and limitations of the study

The scope of the research was limited to only study on the Assessment of Internal Auditing Effectiveness in Finance and Economic Administration office in Wolkite city administration. There was difficulty to gather sufficient and accurate data for the study regarding the study title. This was due to the respondents not willing to respond some of the questions and shortage of the research duration. Therefore, the legitimacy of the data was dependent on the accuracy of the data accessed

1.7. Definition of Key Terms

Auditing: a formal careful examination of an organization's accounts or financial and non-financial resources (Merriam-Webster Dictionary)

Consulting services: advisory and related client activities, the nature and scope of which are agreed upon with the client and which are intended to add value and improve business operations

Internal audit function: an internal audit charter established by authority of board of directors or the head of an organization in which responsibilities are defined and approved by audit committee (IAA, 1999)

1.8. Organization of the research

Generally, the paper is organized into five chapters. The first chapter starts with general information about the study, Background of the study followed by statement of the problem and continued with the objective of the study, Definitions of conceptual terms, research questions, and significance of the study, the scope of the study. The second chapter is looking into some previously conducted related researches and literatures on the subject. The Third chapter is about research design and methodology which presents the research design and methodology of the study and fourth chapter about data analysis, presentation and discussion. Finally, the chapter five present conclusion and recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Review

2.1.1. Definition and Nature of Internal Audit Activity

Auditing is the process by which a competent independent person accumulates and evaluates evidence about financial information related to specific economic entity for the purpose of determining and reporting on the degree of correspondence between the financial information and established criteria (Kamal, 2000). The need for auditing, either external or internal auditing is increasing from time to time because it enables organizations that their resources have been utilized for intended. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve as organizations operations it helps an organization accomplish its objectives by bringing a systematic disciplined to evaluate and improve the efficiencies of risk management, control and governance processes.

Auditing was a process through which frauds and error discovered. There were a few who through that auditing was concerned with checking with their accounting records and bad been kept properly and up to date and that is only created problems for efficient managers who might not have bothered to keep their records up to date. The auditor examines the information under audit and expresses his opinion on the same by way of written report. (Kamal .2000)

Auditing was the content of Diane tics and Scientology is an activity where a person trend in auditing listens and gives auditing, commands to a subject, which scientology refers to as "Peculiar" critics of auditing have suggested it has similarity with cult style programming and some behavior modification techniques which result psychological manipulation of the subject.

Auditing involves the use of processes, which are sets of questions asked, or directions given by an auditor. When the specific objective of any one process is achieved, the process is

ended and other can then be used by doing this, the subjects are said to be able to free themselves from unwanted barriers that inhibit their natural ability.

Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the result to interested user (Alarens AL; 1996)

The internal auditing activities evaluate the adequacy and effectiveness of controls encompassing the organizations governance operations and internal system. Internal audit reviews include the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws regulations and contracts. These reviews also a creation the extent to which operating and program goals and objectives have been established and conform to those of the organization, as well as the extent of which results are constant with established goals and objectives and whether operations and programs are being implanted or performed as intended (Konrath, 2002).

2.1.2. Definition of Internal Auditor

The Institute of Internal Auditors (IIA) defines Internal Auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes." According to this definition, the major scope of the internal auditors is making assurance to the organization and giving consultant services to the overall managements of the corporate governance. By providing the independent opinion and conclusions regarding the operation, function, system and wellbeing of the organization the IA can provide assurance services; and by giving the advisory service based on the specified requests of an engagement client the internal auditor can give the consulting service to the organization (Haile Mariam, 2014)

Unbegun and Kida (2011) defined internal audit as "an aspect of the internal control system established by management of an organization in order to ensure proper compliance with the stipulated policies and procedure in order to achieve management objectives". As cited in Badura and Said in (2012), Juices (2010) defined internal audit" as an independent and objective functional activity which provides security and management advice with the aim of ensuring effective management of public income and expenditure, ensuring proper activities within public organization, helps the public organization to achieve their objective through systematic and methodical approaches, evaluate and improves the efficiency and effectiveness of internal control system, risk management and management processes". Internal audit is the mechanism through which auditors selected from within the company gather information about the effectiveness of the quality system but who are independence of the area, function or procedures being audited. The Internal Audit Function (IAF) is the mechanism through which the operation of the quality management system is formally monitored and in accordance with the documented quality, system is assured (MO FED, 2004)

Internal Auditing is an independent appraisal functions within an organization to examine and evaluate its activities as a serve to the organization. Auditing is an important activity for all types of organizations where governmental, private for profit, nonprofit or any other. Auditing is systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communication the result to interested user (Konrath, 1999, p.2).

2.1.3. Objectives of Internal Auditing

- To verify mainly the accuracy, the integrity and reliability of the financial records.
- To ascertain whether the organization adheres to the standard accounting practice and the properly established method of accounting.
- To protect the assets against losses of any kind and to examine their use and to ensure their accounting.
- To prevent and defect fraud and errors.
- To analyze the existing system of internal control and suggest improvement in this system.

- To take up an investigation at special request of the management.

2.1.4. Types of Audits

Depending on the audit objective, the internal audit conducts different types of audit such as:

1. Financial audit (examining financial records, reporting and related operations to determine

Whether financial information was properly recorded and adequately supported).

2. Compliance audit (examining conformity and adherence to policies, procedures, Laws,

Regulations, contracts, and other requirements);

3. Performance audit /operational audit (reviewing the bank's activities to evaluate

Performance, attainment of business goals against standard or criteria set by management include Long-range plans and budgets) and;

4. Information system audit (collecting and evaluating evidence to determine whether the

Information system and related resources adequately safeguard assets, maintain data and system integrity, provide relevant and reliable information to achieve organization goals effectively).

2.1.5. Internal Control vs. Internal Audit

The committee of sponsoring organizations of the tread way commission (COSO) broadly

Defines internal controls as a process, effected by entity's board of directors, management,

And other personnel, designed to provide reasonable assurance regarding the achievement of

Objectives through effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. This definition tells that internal control is a process meaning it is a means to an end, not an end itself and affected by people meaning it is not merely Policy manuals and forms, but people at every level of an organization. Internal control can be expected to provide only reasonable assurance, not absolute assurance, to an

entity “management board. Internal control system: consists of interconnected components such as control environment, risk assessment and control procedures (activities).

Control Environment: means the overall attitude, awareness and actions of director and management regarding the internal control system and its importance in the entity. The control procedures and provides the background against with other control are operated (COSO)

Control procedures: refers to those policies and procedures in addition to the control Environment which management has established to achieve the entity’s specific objectives Control procedures includes approvals, authorizations, verifications, reconciliation, reviews of performance, security of assets, segregation of duties, and controls over information system.

Risk assessment: is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed (IBID).Whereas an internal audit is a review of an entities policies and practices in order to determine the risks of loss of financial resources, noncompliance or other controls risks. Internal audit is part of the ongoing monitoring of the bank’s system of internal control, risk and governance.

Audit Internal: provides an independent assessment of the adequacy of, and compliance with tree bank’s established policies and procedures, as such; the internal audit function assists senior management and the board of directors in the efficient and effective discharge of their responsibilities. The internal auditor should focus towards improving the internal control structures and promoting better corporate governance (IBID).

2.1.6. Internal Audit vs. External Audit

The board of directors and senior management of an institution are responsible for ensuring that the system of internal control operates effectively. Their responsibilities cannot be delegated to others with in the institution or to outside parties. An important element in assessing the effectiveness of internal control system is an internal audit function. When properly structured and conducted, internal audit provides directors and senior management with vital information about weakness in the system of internal control so that management

can take prompt, remedial action traditionally, the primary objectives of internal audit function have been the detection of irregularities and the determination of adherence policeman procedures. However, in recent years the responsibilities of internal auditors have expanded to include the appraisal of accounting, operating and administrative controls. This appraisal is intended to ensure that those controls provide for the prompt and accurate recording of transactions and the proper safeguarding of assets. Additional responsibilities of internal auditors may include checking compliance with laws, evaluating the effectiveness of administrative controls and procedures and evaluating the efficiency of operation (Basel Committee on Banking Supervision 2001).

The primary objective of external auditors, on the other hand, is aimed at enabling the auditor to express an opinion on financial statements. However, external auditor can also assist management in establishing strong controls, internal audit programs and management information systems; developing operating policies and methods of operations, providing greater assurance that the financial reports to the owners and the public are accurate and include all necessary disclosures, fulfilling board members‟ fiduciary responsibilities; and conducting special studies

According to Arens, 2001, the internal audit is continuous review of operations, records taken within the business, and is normally done by specially assigned staff. It should operate independently of all the internal check and no care should divest anyone of the responsibilities placed up on him. The institute of internal auditors, USA had defined internal audit as follows. Internal auditing is an independent appraise activity within an organization for the review of operations at a service to management.

2.1.7. Professional Qualification to Perform Independent Audits

In view of the reliance by third parties on the work of auditors engaged in performing the attest function. It is understandable that there would be concern for the professional qualification of the public accountants who do this work. Because in some states anyone who wishes may assume the designation public accountants such a designation gives an indication that the person qualified to render competent service to the public (Howard 2008).

2.1.8. Internal Audit Effectiveness

The word “effectiveness” has been defined by different researchers, for instance Arena and Azzone (2009) defined effectiveness “as the capacity to obtain results that are consistent with targets objective,” while, Deisenhofer (2001) view effectiveness as the ability toward the achievement of the objectives and goals. In the same context, a program can be seen as effective if its outcome goes along with its objectives (Ahmad, Othman, and Jusoff, 2009; Mihret et al, 2010). The Institution of Internal Audit (2010) defined internal audit effectiveness “as the degree (including quality) to which established objectives are achieved. While Mizrahi and NessWeisman (2007) give their own definition, which is in line with the ability of the internal auditor intervention in prevention and correction of deficiencies and they finally defined internal audit effectiveness as “the number and scope of deficiencies corrected following the auditing process.” Therefore, going by the above definitions of effectiveness and audit effectiveness, it is clear that audit effectiveness or internal audit effectiveness is means the same thing because they all have central target which is „the ability of achieving established objective.

2.1.9 Factors Affecting Internal Audit Effectiveness

Internal audit effectiveness could be affected by different factors. Based on the above definition, this study focused on the assessment of internal audit effectiveness by considering the following factors; the quality of audit work, scope of internal audit work, adequacy and competency of internal auditors, and internal audit independence and objectivity.

2.1.10 Quality of Audit Work

Glazer and Jaenike (1998) argued that performing auditing work according to internal auditing standards contributes significantly to the effectiveness of auditing. Ridley and D‟silva (1997) found in the UK that complying with professional standards is the most important contributor to internal audit added value. Internal audit quality, which is demonstrated by the offices‟ capability to provide useful and its findings and recommendations, is one of the most prominent factors on which audit effectiveness in anchored. The performance standards of the IIA (1996) require the auditor to plan and

perform the work such that he or she would be able to arrive at useful audit findings and forward recommendations of improvement. The officer's ability to properly plan, perform and communicate the results of audits is proxy for audit quality. Therefore, audit quality is debatably a function of extensive staff expertise. In general, formal auditing standards recognize that internal auditors also provide services regarding information other the financial reports. They require auditors to carry out their role objectively and in compliance with accepted criteria for professional practice, such that internal audit activity will evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach. This is important not only for compliance with legal requirements, but because the scope of an auditor duties could involve the evaluation of areas in which a high level of judgment in involved, and audit reports may have a direct impact on the decisions or the course of acti0n adopted by management (Bou-road, 2000). It can thus be argued that greater quality of internal audit work understood in terms of compliance with formal standards, as well as a high level of efficiency in the audit planning and execution will improve the audit effectiveness. The internal audit guideline also states that internal auditors are expected to comply with standards for the professional practices of internal auditing published by the institutes of internal auditors (IIA) so as to conduct quality audit work. It also states that the quality assurance and improvement program should cover all aspects of the internal audit activity and continuous monitoring of its effectiveness, which includes ongoing internal monitoring, and periodic internal and external quality assessments.

I **Audit Planning**

The audit planning is a major part of audit works for both internal and external audits. A good audit planning will help the auditor to minimize its risks, improve audit efficiency, and meet its objective at the minimum effort. Auditors are required to prepare a proper audit plan to ensure 18 that all audit risks are identified and correct audit strategies are deployed to detect all concerning risk areas. It is essential for the auditor to prepare a good strategic audit plan. If the plan is well prepared, all kind of audit risks is identified and detected. This will help the auditor to minimize the audits risks of issuing the incorrect opinion to financial statements (www.wikiaccounting.com).

Good audit planning should include the following basic elements, Background information: Brief outline of the audited body's activities, objectives and financial circumstances, Significant events: Details of any events or changes which are likely to affect the entity's operations and the audit, Audit/examination areas: Certification requirements describing the scope of the audit for each area, Audit programs: Audit programs are prepared to serve as a guide for the audit, Administrative arrangements and timetable: Any administrative arrangements required to coordinate the work and the proposed timetable for the audit to meet the agreed deadline, Staff allocation and responsibilities: This section enables appropriate allocation of staff to the audit in terms of number, grades and experience. It also shows the officers' responsible for supervision and review.

Objectives of planning

The main objective of audit planning is to ensure appropriate attention is given to all areas of the audit. Proper planning facilitates efficient use of audit resources and effective carrying out of the audit. When planning is correctly done, audit team is likely to identify events, transactions and practices which may have material effects on the financial statements and subsequently the auditor's opinion (www.business-competence.com).

II Internal Audit Reporting Structure

Theoretically, the Chief Audit Executive should report functionally to the board or audit committee and administratively to the chief executive officer of the organization and functional reporting line for the internal audit function is the ultimate source of independence and authority (Rupsys, 2005). Report functionally means that the governing authority would approve the overall charter of the internal audit function, approve the internal audit risk assessment and related audit plan, receive communication from the C.A.E on the results of the internal audit activities or other matters that the C.A.E determines are necessary, private meeting with the C.A.E without management present, approve all decisions regarding the appointment or the removal of the C.A.E, approve the annual compensation and salary adjustment of the C.A.E, and make appropriate inquiries of the management and the C.A.E to determine whether there are scopes or budgetary limitation that impede the internal audit function to execute its responsibility. On the other hand, administrative reporting is the reporting relationship within the

organization’s management structure that facilitates the day to-day operation of the internal audit function it typically 19 includes, budgeting and management accounting, human resource administration including personal evaluations and composition, internal communication and information flow, administration of the organization’s internal policies and procedures (Gleim, 2002)

Internal auditing (IA) serves as an important link in the business and financial reporting processes of corporations and not-for-profit providers (Reynolds 2000). Internal auditors play a key role in monitoring a company’s risk profile and identifying areas to improve risk management (Goodwin-Stewart and Kent 2006). The aim of internal auditing is to improve organizational efficiency and effectiveness through constructive criticism. Effective internal audit has four main methods. These are;

1. Verification of written records;

2. Analysis of policy;

3. Evaluation of the logic and completeness of procedures, internal services and staffing to assure they are efficient and appropriate for the organization's policies; and

4. Reporting recommendations for improvements to management (Eden and Moriah 1996). In reality, IA has become an indispensable management tool for achieving effective control in both public and private organizations (Eden and Moriah 1996).

Control mechanisms are those processes set up to monitor and to direct, promote or restrain the various activities of an enterprise for the purpose of seeing that enterprise objectives are met (Sawyer1988; Coram, Ferguson and Moroney 2008). By detecting weakness in management operations, IA provides a basis for correcting deficiencies that have escaped the first line of defense before those deficiencies become uncontrollable or are exposed in the external auditor’s report (Eden and Moriah 1996). Effective IA can improve four important processes in the organization. These are;

• Learning (teaching members how to do their job better),

• Motivation (auditing leads to improved performance as deficiencies will have to be explained),

• Deterrence (knowing that an audit is imminent may discourage abuse), and

• Process improvements (IA may increase the likelihood that the right things are done and that they are done right) (Eden and Moriah 1996).

The Institute of Internal Auditors (IIA, 1999) defined internal audit as: "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The value–adding role of IA presumes that IA is effective. Nevertheless, the literature implies that IA effectiveness tends to be influenced by the contextual dynamics within which internal audit is practiced. Al-Twaijry, Brierley and Gwilliam (2003) consider compliance with the Standards for Professional Practice of Internal Auditors (SPPIA) as indicator of value adding IA and of internal audit effectiveness.

The evidences from the literature, nevertheless, suggest that IA effectiveness is possibly influenced by the context in which IA operates. Burnaby, Hass and Abdolmohammadi (2008), show that there were differences in internal audit practices between some other countries. Abdolmohammadi and sarsens (2009) also found that cultural differences across countries are associated with differences in the level of internal auditors 'compliance with IIA's standards. Further, results of recent studies (Mihret Woldeyohannis 2008; Mihret Yismaw 2007) consolidate this notion of the possible context dependence of IA effectiveness. This seems consistent with the IIA's (Institute of Internal Auditors 2004) definition of internal auditing. The definition embodies both consulting and assurance services of IA and stresses the necessity of IA 's value adding role as well as its contribution to accomplishment of organizational objectives. Therefore, it appears reasonable to consider that effective IA is characterized largely by a broad scope of services than a de-emphasis of financial and compliance audits.

The growing importance of internal auditing as an economic factor has led to systematic researching to the factors that improve the performance of internal auditing. In line with this, Albrecht et al. (1999) investigated a theoretical framework in regard with the effectiveness of internal audit. Unlike as airy, Deisenhofer (2001) assessed the effectiveness of internal audit through a new technique, named as results examination, which involves identifying the auditor "objectives, establishing the criteria that could signify their achievement and using the established criteria to determine whether and to what degree the auditor's action have resulted in the achievement of objectives. In contrast to previous findings, Mihret and Yismaw (2007) attempted to introduce a new approach for the evaluation of the internal audit effectiveness by identifying factors within an organization that has an impact on audit effectiveness. As a result the model considered four potential factors-

- Internal audit quality,
- management support,
- organizational setting, and
- audited attributes to describe audit effectiveness, and revealed the way the interaction of these factors improves audit effectiveness

2.1.11. Internal Auditing Principles for Effective Government Auditing in Civil Ministries

The Controller General of Accounts (CGA) issues Internal Audit Policies for effective internal auditing, the compliance of which is mandatory. These policies are based on internal auditing principles, which are framed and updated by the CGA. These principles must be adhered to in all aspects of internal auditing.

IIA's Core Principles for the Professional Practice of Internal Auditing

For an Internal Audit Wing (IAW) to be considered effective, all these principles should be present and operating effectively:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)

- Aligns with the strategies, objectives, and risks of the programs
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organizational improvement

*It may be noted that use of the word "professional" includes the "function" of internal audit viewed from the perspective of Civil Ministries. Thus, internal audit focuses on whether governance, risk management and control processes provide reasonable assurance that

a. Significant financial, managerial and operating information is accurate, reliable and timely;
b. Resources are acquired economically and used efficiently;
c. Assets are safeguarded;
d. actions of the Ministry are in compliance with policies, procedures, contracts, applicable laws and regulations; and
e. Significant plans and objectives of programmer and schemes will be achieved.

2.2. Empirical Review

2.2.1. Measuring the Effectiveness of Internal Audit Function:

Arena &Azzone, 2009, measured the effectiveness of internal audit in terms of the percentage of recommendations made by internal auditors and implemented by senior management. I found that the internal audit function is most effective in the Malaysian public sector when there is:

(1) A legal requirement for the establishment of an internal audit function.

(2) A strategy for the development of qualification of internal audit staff.

(3) Support from senior management and the presence of the Audit Committee.

(4) The Central

Internal Audit Policy Unit (a professional body) to develop guidelines, develop community and disseminate best practices. (Van-Gansberghe, 2005) identified six key themes in building an effective internal audit process. Six key themes were identified in the effective building of internal auditing:

(1) The concept of ownership.

(2) Organization of the governance framework.

(3) Law.

(4) Improve professional efficiency.

(5) Conceptual framework and Resources

2.2.2. Importance of the Auditors Independence

Independence is essential to the effectiveness of the internal audit function. According to the IIA (2013), the internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. The internal audit function has no direct authority or responsibility for the activities it reviews. It has no responsibility for developing or implementing procedures or systems, and does not prepare records or engage in original line processing functions or activities.

It is important to note that internal audit staff members need to be, and be seen to be, independent in the activities that they check. In order to avoid responsibility of operational systems, the internal audit staff members should have neither direct responsibility for, nor authority over, any of the activities reviewed. According to the IIA, internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. The CAE will confirm to the board, at least annually, the organizational independence of the internal audit activity.

In addition to possessing adequate training and professional experience the accountant who makes an audit for the purpose of attesting to the fairness of a client financial statement must act in an independent capacity. Because the accountants are an employee of the business the accountant's actions are not Subject to supervision by the management of the business and this situation alone creates considerable independence. Independence is also an attitude of mind and independent though and action is equally as important as the independent relationship between accountant and client.

2.2.3. Economic Setting and Political Ideology

Brennan and Kelly (2007) argue that the adequacy of legal protection influences external auditors' likelihood to whistle-blow. In a similar vein, country's legal protection could influence the fraud detection role of internal auditors. A country's environment also serves as an overall setting where professionals who serve as internal auditors are produced. The extent to which universities produce well-trained individuals to serve as internal auditors is one dimension of this notion. Another implication of country setting is the rate of pay to internal auditors. For example, internal audit in developing countries could suffer from the impact of brain drain as trained professionals immigrate to the developed world seeking higher pay.

Government influence on the development of internal audit may take different forms. For example, government enacts laws that concern internal audit directly or broad laws that influence the development of IA in ways that are more indirect. Government could also provide direct support to internal audit professional associations. Al-Twaijry, Brierley and Gilliam (2003) indicate that government plays a pivotal role in the development of internal audit.

2.3. Summary of Literature

The accounting literature suggests the context-dependence of the role of accounting in a society. Some context factors are linked to the economic, political, social, and a cultural reality of the nation in which accounting is practiced. Different writers explained that country level dynamics (changing aspect) influence accounting. Society embodies concept like

economy, politics, religion and social relations. Thus, accounting and related systems like internal audit may be influenced by the dynamics that prevail in a society.

Internal audit practice is apparently influenced by such factors as organizational category, organizational size, organizational risk exposure, management support to and audited cooperation with IA, and internal-external audit linkages. Therefore, it appears reasonable to expect that the effectiveness of internal audit also varies among organizations. As the size of an organization increases, the complexity of the necessary organizational controls as well as the regulatory requirements imposed on it are also likely to increase. This increased complexity and regulation may mean greater demands from internal audit regarding IA‘s services relating to the control systems of organizations. Furthermore, different researchers point out that company size is positively associated with the strength of internal control systems.

In addition, the literature argues that the adequacy of legal protection could influence the fraud detection role of internal auditors. Another implication of country setting is the rate of pay to internal auditors. For example, internal audit in developing countries could suffer from the impact of brain drain as trained professionals immigrate to the developed world seeking higher pay.

2.4. Gaps in the Literature

The literature review for this research was done through previous studies and different website. By citing to the former literature, the information about the evaluation and examination of the Finance and Economic Development office of internal auditing practice was observed. This would be used to develop the checklist and interview questions in order to collect data from the exposed respondent.

Various studies have confirmed the existence of the audit gap. The standards require the auditors to carry out every step of the audit engagement in an alert and diligent manner full compliance with the standard would rule out any negligent acts or material omissions by the auditor of course auditors as well as members of other professions inevitably make occasional errors in judgment but this human element does not justify indifference or in judgment or intention to professional responsibilities. The studies to examine internal audit

from broader theoretical perspectives in diverse empirical settings become necessary. This is because the profession is getting global in orientation and the internal audit function is playing an increasingly essential role in the commercial world and the public sector alike. To that end, this review has attempted to arrive at a theoretical foundation for the study of antecedents and organizational performance implications of internal audit effectiveness.

Therefore, examining the Internal Audit effectiveness helps in finance and economic administration of the organization and could fill the gap to the literature in Wolkite town context.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Design

The research used a descriptive type of research with qualitative approach because of data collection approaches are in-depth interviews and a common data collection approach in distributing survey questioner and interview. The researcher used a qualitative approach to be suitable for this study. Hence, the researcher has been got a clear picture of the phenomena from the study. This research assessed internal audit practice of Wolkite town administration Finance and Economic Development Office.

3.2. Types of Data and Sources

The researcher used both primary and secondary source of data to achieve the objective of the study. The primary sources of data were collected data from individuals through interview and questioner. The secondary sources of data are different documents and internal auditing practice related reports of the Finance Office

Primary data source

The primary source data have been collected through distributing questionnaires to managers, internal auditors and by interviewing with the employees of the bank.

Secondary data source

Secondary source data have been collected from different documents, paper, website, directives, manuals and reports prepared by the sector and others. The researcher believes that both methodology of gathering data are very important to get the required information from internal users and external users to make our conclusion and recommendation at least to be near to correctness. Therefore, this study would help other stakeholders to have good understanding and knowledge for better reference.

3.3. Population and Sampling Techniques

In order to conduct the research, the research would be used census method. The target populations of finance and economic development of Wolkite town are 11employees. Due to this, the researcher does not take any sample from the target population. Because, the respondents are small in number and this method is considered as adequate and efficient to gather important data from the bank**.** The popularization for this study included all level of manager and employees working in different department that organization to conduct the study sample of employees will be taken as sample from the whole. Thus, internal auditors, employees and the manager of the organization are used as the target group to gather the relevant data.

3.4. Data Analysis and Methods

Data collected using questionnaire will use analyse through the application of percentages and tables. The data collected through interviews are analysed by using narratives through qualitative data analysis method. Data Gathered from Questionnaires

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1. Discussion

The research was carried out by analyzing the data and information gathered through the questioners and interview from internal audit practice of Wolkite city administration Finance and Economic Development Office professionals. The study was conducted on Wolkite city administration Finance and Economic Development Office that comprises nine female (9) and two males (2). Eighteen questioners and interviews were collected from the professionals and concerned authorized governmental offices. The information gathered through the questioners and interview was briefly discussed. The questioners are attached on the annex part of this research.

Achieving effectiveness in an organization is a difficult task that is associated with various forms of challenges. Internal audit effectiveness is one of the most challenging tasks to attain in an organization.

Background of respondents

Table 1: General Characteristics of the Respondents

Item	Question	Category	Frequency	%
1	Sex	Male	9	81.81
		Female	2	18.18
Total			11	100
2	Level of education	Certificate	0	0
		Diploma	9	81.81
		Degree	2	18.18
		MA/MSC and above	0	0
Total			11	100

3	Years of experience	Less than 6 months	0	0
		6 months- 1 year	3	17.65
		1-3 years	8	82.35
Total			11	100

Quality of Internal Audit

4.2. Internal audit work

Table: 4.1. Internal audit work

items	questions	strongly agree		agree		neutral		disagree		strongly disagree	
		no	%	no	%	no	%	no	%	no	%
1	the office relied on internal audit work	8	72.72	3	27.27						
2	internal auditor has an appropriate continuing educational program	2	18.18	3	27.27	4	36.36	2	18.18		
3	the programs are regularly revised to cover changes in the client's system	3	27.27	2	18.18			6	54.54		
4	the internal auditor exercise due professional core in performing internal audit			9	81.81	2	18.18				
5	the internal auditor is skilled in dealing with people and in communicating effectively	3	27.27	5	45.45	3	27.27				
6	the internal auditors prepare working paper to recorded test carried out, the result of test and conclusion drawn in the organization			10	90.90	1	09.09				
7	the internal auditor has enough level of practical experience	2	18.18	4	36.36	3	27.27	2	18.18		
8	internal auditor is reviewing the			3	27.27	2	18.18	6	54.54		

	means of a safeguarding assets and as appropriate, verity the existence of such asset										

Responses to the questionnaires and interview questions show that all of the respondents have been strongly agreed on internal audit works. From table 2 of item 1, it is indicated that, 8(72.72%) of the respondents strongly agree when asked whether the office relied on internal audit work while 3(27.27%) of the respondents agreed. From this, it is possible to say that the office workers have been relied on the work of internal audit. The internal audit function of an organization should be given a sufficiently high status in the organizational structure to enable better communication with senior management and to ensure independence of internal audit from the audits.

4.3. Internal auditor's educational program

Additionally, in item 2 when asked if Internal auditors have an appropriate continuing educational program 2(18.18%) of the respondents strongly agreed 3(27.27%) of the respondents agree, 4(36.36%) of the respondents remained neutral and 2(18.18%) of the respondents have disagreed to the statement. Based on this character it is possible to figure out that the internal auditing educational program is not as such because the percentage of the strongly agreed and agreed respondents were not enough worth. Even if the education has a greet input for practical works, the office has been not given attention this type practices. So, this will likely hamper the auditing practice of the office.

As it is indicated in item 3 of table 4.1, the respondents were inquired about whether the Programs are regularly revised to cover changes in the client's system 3(27.27%) of the respondents strongly agreed, while 2(18.18%) of the respondents agreed and 6(54.54%) of the respondents have disagreed to the statement. According to the data collected for review of programs in the client's system were not satisfy because the percentage of disagreed

Respondents were more than 50% which is 54.54%. Even though the review of programs in the client's system was mandatory to fulfill the customers need, the office has been not given care for the regular review of systems to attract the clients. Now days the adequacy and

effectiveness of organizations goes with modern technology. To be productive the organization should have been review programs to cover changes in the client's system.

4.4. Professional account of internal auditor

For item 4 in the table 4.1 the answer of respondents for the request of the internal auditor exercise due professional core in performing internal audit 9(81.81%) of the respondents agreed whereas 2 (18.18%) of the respondents neutral to the statement. From this, it is possible to say that the internal auditor exercise due professional core in performing internal audit. As it is known the internal auditor exercise requires professional accountants to acquire the specific capabilities (i.e., the professional knowledge, professional skills and professional values, ethics, and attitudes) they need to carry out their works competent audit professionals. Even though the statement shows worth, maintaining professional competency and update knowledge of auditing techniques through systematic and containing training will be mandatory 4.4. Internal auditor skill

4.5. Internal auditor skill

As shown in item 5 of table 4.1 the respondents were asked about whether the internal auditor is skilled in dealing with people and in communicating effectively 3 (27.27%) of the respondents strongly agreed, 5 (45.45%) of the respondents agreed and 3 (27.27%) of the respondents remain neutral to the statement. From this one can suppose that the internal auditor is skilled in dealing with people and in communicating effectively. Since effective communication is a critical mechanism for efficient internal audit performance in tax administration. According Smith (2005) stated that internal auditors are required to maintain excellent communication skills that allow them to advance and succeed in a complex, dynamic, and different auditing environment in an organization. Therefore, an internal auditor needs to enhance their interpersonal, listening, written and oral communication capabilities to facilitate their performance and accomplish their responsibilities effectively.

As shown in item 6 of table 4.1 the respondents were requested about whether the internal auditors prepare working paper to recorded test carried out, the result of test and conclusion drawn in the Organization 10 (90.90%) of the respondents agreed 1 (09.09%) of the respondents remain neutral to the statement. From this we can infer that the majority of the respondents agreed to the statement.

4.6. Internal auditor experience

As one can see in item 7 of table 4.1 the respondents were inquired about whether the internal auditor has enough level of practical experience 2(18.18%) of the respondents strongly agreed, 4 (36.36%) of the respondents agreed, 3 (27.27%) of the respondents remain neutral, and 2 (18.18%) disagreed to the statement. From this one can deduce that the internal auditors have sufficiently worthy experience to undertake the activities of internal auditing process of the enterprise. Experience and knowledge can have significant advantages in this regard and the office can benefit a lot from the experienced staff of those who work in audit related activities it has. So, including more of experienced professionals will be recommended in order to perform qualified work.

As it is indicated in item 8 of table 4.1 the respondents reaction about whether internal auditor is review the means of a safeguarding assets and as appropriate, verity the existence of such asset 3(27.27%) of the respondents agreed, 2 (18.18%) of the respondents remain neutral and 6 (54.54%) disagreed to the idea. From this one can suppose that internal auditors not review the system of safeguarding the assets. This affects the quality of internal audit service thereby make complex the auditing process throughout the organization in providing a reliable and valid source of information.

3.7. Financial audit division head

Table: 4.2. For financial audit division head only.

Items	Questions	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
		No	%	No	%	No	%	No	%	No	%
1	The internal audit uses reliable documentation for describing the Government's system as the basis for his procedural test, such as flow chart and Government procedure manual	2	18.18	5	45.45	4	36.36				
2	Financial record and reports contain accurate, reliable timely complete and useful information	3	27.27	5	45.45	4	36.36				

3	In the office financial audit division head examine information	2	18.18	5	45.45			4	36.36		
4	The financial audit head prepare activity report and submitted to Administrator	2	18.18	7	63.63	2	18.18				
5	The financial audit division head examine the control over all accounting operation which materially affect the financial	3	18.18	4	36.36			4	36.36		

As it is indicated in item 1 the respondents were requested about whether the internal audit use reliable documentation for describing the Government's system as the basis for his procedural test, such as flow chart and Government procedure manual 2(18.18%) of the respondents strongly agreed, 5(45.45%) of the respondents agreed, while 4(36.36%) neutral to the statement. From this one can infer that the internal audit uses reliable documentation in performing its audits. In this term the internal audits use governmental system as a foundation of technical examinations. Governmental rules and regulations were the governing documents to give equal and fair service for the patrons. Also, these procedural tests such as flow chart and Government procedure manuals assistances the employee not to accomplish mistakes.

As it is shown in section 2 the respondents were requested about whether the financial record and reports contain accurate, reliable timely complete and useful information 3(27.27%) of the respondents strongly agreed, 5(45.45%) of the respondents agreed, while 4(36.36%) neutral to the statement. From this one can deduce that the financial record and reports contain correct information and complete in appropriate time. The completion of reports on time shows the effective1y performance of organization. Summiting financial records and reports on time are compulsory for performance of internal audit. Thus, it will be respectable for the organization to gain access to reliable audit information.

As it is inscribed in section 3 the respondents were requested about whether in the office financial audit division head examine information 2(18.18%) of the respondents strongly agreed, 5(45.45%) of the respondents agreed, while 4(36.36%) disagreed to the statement. From this one

can presume that in the office financial audit division head examine information. This will be increasing the efficiency of internal audits of the organization to find out the problems and their remedial actions.

As it is writing in item 4 the respondents were requested about whether the financial audit head prepare activity report and submitted to Administrator 2(18.18%) of the respondents strongly agreed, 7(63.63%) of the respondents agreed, while 2(18.18%) neutral to the statement. Based on the respondent's 81.81% given positive response. The financial audit head was performing his duty/ responsibility in a proper manner because the worked activities reported and checked by the leader. This helps the administrator to possess enough information about the work of financial audit and verify the activities performed.

As it is indicated in item 5 the respondents were requested about whether the financial audit division head examine the control over all accounting operation which materially affect the financial 3(27.27%) of the respondents strongly agreed, 4(36.36%) of the respondents agreed, while 4(36.36%) disagreed to the statement. Based on the respondents 63.63% given positive response. Even if the response is positive, strong financial audit will be required to maintain good accounting operation. So, it should have to increase the performance of all accounting operations by giving title related trainings and follow up.

3.8. Operational division

Table: 4.3. For operational division only

Items	Questions	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
		No	%	No	%	No	%	No	%	No	%
1	In the internal audit department of the Organization operation division report identify weakness and for improvement			8	72.72	3	27.27				
2	The operational division head passes the knowledge, Skill and discipline needed to carry out its audit responsivity	3	27.27	5	45.45	3	27.27				

3	The operational division review operations or programs to ascertain wither result are consistent with established objective and goals and whether the operations are being carried out as planed	2	18.18	3	27.27	4	36.36	2	18.18		
4	The operational division relied the reliability and integrity of operating information and the means used to identify, measure classify and report such information	2	18.18	6	54.54			3	27.27		
5	The purpose, authority and responsibility of the operational audit division is defined in a formal written document	3	27.27	8	72.72						

As it is indicated in item 1 the respondents were requested about whether in the internal audit department of the organization operation division report identify weakness and recommendation for improvement 8(72.72%) of the respondents agreed, while 3(27.27%) neutral to the statement. Reports should have presented the weakness and good performances. Also, it should be forward recommendations to management. Internal audits would investigate operations to see that they were properly controlled and would make recommendations to management. It was presumed that the recommendations would be similar to what management would have done if management has the time to individually review all operations for adequate control. In this request more than 50% respondents answered positive idea while 27.27% neither positive nor negative idea. So that the organization should be improving the operation division report identify the weakness and recommendation

As one can see in item 2of table 4.3 the respondents were inquired about whether the operational division head possess the knowledge, Skill and discipline needed to carry out its audit responsively 3(27.27%) of the respondents strongly agreed, 5(45.45%) of the respondents agreed, while 3(27.27%) neutral. the respondents 72.72% answered positive responses to the operational division head knowledge, Skill and discipline needed to carry out its audit responsively. Internal audit work requires knowledge and experience on a wide

range of systems and operations, it is imperative to deploy auditors with extensive professional skills and to upgrade their skills through continuing professional training and development.

As shown in item 3 of table 4.3 the respondents were requested about whether the operational division review operations or programs to ascertain whether result are consistent with established objective and goals and whether the operations are being carried out as planed 2(18.18%) of the respondents strongly agreed, 3(27.27%) of the respondents agreed, 4(36.36%) neutral while 2(18.18%) disagreed to the statement. Based on the respondents 54.54% given neutral and negative responses. Since internal audit, effectiveness has either focused on the internal audit's ability to plan or execute and objectively communicate useful findings. So, to be consistent to the established objective and goals the internal audit operational division should be carried out as planed aims.

As indicated in item 4 of table 4.3 the respondents were requested about whether the operational division relied the reliability and integrity of operating information and the means used to identify, measure classify and report such information 2(18.18%) of the respondents strongly agreed,6(54.54%) of the respondents agreed, while 3(27.27%) disagreed to the statement. Based on the respondents72.72percentage given positive responses. More than 50% of respondents were trusted the operational division consistent and honesty in operating information.

As indicated in item 5 of table 4.3 the respondents were requested about the purpose, authority and responsibility of the operational audit division is defined in a formal written document 3(27.27%) of the respondents strongly agreed, 8(72.72%) of the respondents agreed. Based on the respondents the operational audit division purpose, authority and responsibility is defined in a formal written document.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1. Conclusion

As internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations, issues as how effectively it performs this role have emerge with greater prominence than before. The recent global financial crisis has led to questioning of how successful internal audit is, both in its more conventional role of monitoring compliance with internal control and financial probity and its more recent, and to extent, self-proclaimed role as an integral part of the risk management culture within the organizations. It is obvious that effective internal audit helps organizations specifically banks to accomplish their objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

This study was aimed at assessing the internal audit effectiveness of audit activity in case of finance and economic administration in wolkite town by taking internal auditor.

- In the organizational structure internal audit, function is given high status. The organizations have faith in internal audit works to enable better communication with senior management and to ensure independence of internal audit from the audits.
- In the organization upgrading educational level of internal auditors were not enough worth. Since internal audit, need incremental knowledge and skills through education and training as well as through practicing the principles.
- The office auditors have not deficiency in interpersonal communication capability to implement their responsibility and maintaining professional competency. On the other hand, the result shows more of auditors working in the organization have enough experience and knowledge. So, including more of experienced professionals will be recommended in order to perform qualified work.
- In the financial audit, division head governmental rules and regulations have been follo wed and procedural tests such as flow charts and manuals have been surveyed to give adequate services for the customers. In addition, the activities reported and supervised

by the leader, which helps the administrators to possess enough information about the work of financial audits.

- The operational division head possess the knowledge, Skill and discipline to perform their responsibilities. More than half percent of respondents were trusted the operational division consistent and honesty in operating information, and perform as per the objectives and goals.

5.2. Recommendation

From the data analysis and findings, the researchers arrived at the following recommendation. Multiple approaches are needed to produce effective audit report in organization and particularly in the internal Audit process. No single approach is likely to fully and cost-effectively address the effectiveness of audit activity in the study area since it has multiple causes, which could highly affect it. Generally, understanding better these different factors and their interrelationships that affect the effectiveness of audit activity can help to develop targeted strategies to ease this entire problem.

The following recommendation

- With regard to the internal audits, the employee should be taken training related to audits and they should be enforced to the modern way of production.
- In the organization, experienced professionals should be invited to increase the productivity.
- Internal audit employees should have to upgrade their educational level to be effective and efficient in their performance.
- The internal audits should be independent.

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APPENDIX

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS
DEPARTEMENT OF ACCOUNTING

The purpose of this questionnaire is to collect data on the internal audit practice in Finance and Economic Development office of wolkite town. This questionnaire is aimed to evaluate the quality or effectiveness of internal auditing. In general, this questionnaire is focused on evaluating whether the principles of internal auditing are applied in practice or not the quality of the output depends on the respondent's fair response to the question.

For internal auditors only

1. If your answer for question 1 is 'no' or the level of reliance

☐ Internal auditor is not competent

☐ Internal auditors have not adequate scope of work.

☐ Internal auditor department is not stuffed properly.

☐ Internal audit department has lack of following up.

2. The internal auditor in Finance and Economic Development office of Wolkite have an appropriate continuing educational program

Strongly agree ☐ Disagree ☐

Agree ☐ Strongly disagree ☐

Neutral ☐

3. The internal audit in Finance and Economic Development office of Wolkite is Free from conflicting duties and able to investigate any area

Strongly agree ☐ Disagree ☐

Agree ☐ Strongly disagree ☐

Neutral ☐

4. Programs in Finance and Economic Development office of Wolkite are regularly revised to cover changes in the client's system

Strongly agree ☐ Disagree ☐

☐ ☐

☐

Agree Strongly disagree

Neutral

5. The internal auditor of Finance and Economic Development office of Wolkite exercise due professional core in performing internal audit

Strongly agree ☐ Disagree ☐

Agree ☐ Strongly disagree ☐

Neutral ☐

6. The internal auditor in Finance and Economic Development office of Wolkite is skilled in dealing with people and in communicating effectively

Strongly agree ☐ Disagree ☐

Agree ☐ Strongly disagree ☐

Neutral ☐

7. The internal auditors prepare working paper to recorded test carried out, the result of rest and conclusion drawn in the Organization

Strongly agree ☐ Disagree ☐

Agree ☐ Strongly disagree ☐

Neutral ☐

8. The internal auditor in Finance and Economic Development office of Wolkite has enough level of practical experience

Strongly agree ☐ Disagree ☐

Agree ☐ Strongly disagree ☐

Neutral ☐

9. In Finance and Economic Development office of Wolkite internal auditor is review the means of a safeguarding assets and as appropriate, verity the existence of such asset

Strongly agree ☐ Disagree ☐

Agree ☐ Strongly disagree ☐

Neutral ☐

I. For Financial, audit division head only.

1. The internal audit use reliable documentation for describing the Government's system as the basis for his procedural test, such as flow chart and Government procedure manual

   Strongly agree Disagree
   Agree Strongly disagree
   Neutral

2. Financial record and reports contain accurate, reliable timely complete and useful information in Finance and Economic Development office of Wolkite

   Strongly agree Disagree
   Agree Strongly disagree
   Neutral

3. In the Finance and Economic Development office of Wolkite financial audit division head examine information

   Strongly agree ☐ Disagree ☐
   Agree ☐ Strongly disagree ☐
   Neutral ☐

4. The financial audit head prepare activity report and submitted to Administrator

   Strongly agree ☐ Disagree ☐
   Agree ☐ Strongly disagree ☐
   Neutral ☐

5. The financial audit division head examine the control over all accounting operation which materially affect the financial

   Strongly agree ☐ Disagree ☐
   Agree ☐ Strongly disagree ☐
   ☐

Neutral

II. **For operational division only**

1. In the internal audit department of the Organization operation division report identify weakness and recommendation for improvement

Strongly agree ☐ Disagree ☐

Agree ☐ Strongly disagree ☐

Neutral ☐

2. The operational division head passes the knowledge, Skill and discipline needed to carry out its audit responsivity

Strongly agree ☐ Disagree ☐

Agree ☐ Strongly disagree ☐

Neutral ☐

3. The operational division review operations or programs to ascertain wither result are consistent with established objective and goals and whether the operations are being carried out as planed

Strongly agree ☐ Disagree ☐

Agree ☐ Strongly disagree ☐

Neutral ☐

4. The operational division relied the reliability and integrity of operating information and the means used to identify, measure classify and report such information

Strongly agree ☐ Disagree ☐

Agree ☐ Strongly disagree ☐

Neutral ☐

5. In Finance and Economic Development office of Wolkite, the purpose, authority and responsibility of the operational audit division is defined in a formal written document

Strongly agree ☐ Disagree ☐

Agree ☐ Strongly disagree ☐

Neutral ☐