



# **GOVERNMENT INTERNAL AUDITS IN ETHIOPIA: AN IDENTIFICATION OF LAW AND PRACTICE RELATED CHALLENGES (A CASE OF TIGRAY REGIONAL GOVERNMENT BUREAUS)**

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## **ABSTRACT**

*The researcher's experience as internal auditor and other similar studies on internal audit indicate that government Internal Audit Units in Ethiopia are yet less effective and more of old-fashioned in terms of their services. Therefore, there is urgent need of more specific study at micro-level in order to improve the effectiveness of the internal audit units. This work tried to identify the major law and practice – related challenges that government internal auditors face in discharging their duties at regional level. Using a sample of 40 internal auditors in Tigray Regional State, this study examined the law and practice related challenges which government internal auditors are encountering in executing their duties. The primary information included in this research is collected through a survey conducted using detailed questionnaire and interview with some internal audit process owners and bureau heads and/or deputy heads. The study indicated that the major challenge is less management support provided to the Internal Audit Units. Absence of other IA effectiveness factors like Independence and Competence are also found as challenges. But there aren't prominent laws – related problems identified in the study. Based on the weaknesses identified, managements of governmental bureaus in Ethiopia in general, are recommended to provide necessary supports and trainings to their Internal Auditors so as to help them discharge their responsibilities effectively and provide value – adding services.*

**KEY WORDS:** *Internal audit, challenges, value –adding, effectiveness, practice*

## **INTRUDUCTION**

### **BACKGROUND OF THE STUDY**

Internal auditing has evolved as systems, transactions, and processes have turned out to be more complex and its initial accounts date back to the Mesopotamian civilization (IIA Research Foundation 2009). Auditing has two broad classifications – internal and external auditing. Internal auditing is basically an independent evaluation unit established by

management for the appraisal of operations. Studies (example J. Kinfu 2006, Cohen and Sayag 2010) discussed internal audit as the solidest means of checking ethics and governance in public organizations and private entities According to them, the aim of internal auditing is to improve organizational efficiency and effectiveness through useful criticism.

More specifically, (Belay 2007) discussed that government auditing is a foundation of good public



sector governance. By providing impartial, objective valuations of whether public properties are responsibly and effectively managed to achieve intended results, auditors help government organizations achieve responsibility and reliability, improve operations, and instill confidence among citizens.

Internal auditing in Ethiopia also has long history. Its beginning in Ethiopia dates back to about the middle of the 1940s and it had its first legislative root in the Constitution of 1923 which authorized the establishment of an Audit Commission Articles 34 (MoFED 2005).

However, many studies (Mengist and Mihret 2011, Mihret and Yismaw 2007, Mihret and Woldeyohannes 2008, Belay 2010, and Admasu and Mihret 2011, Fareed Mastan *et.al.* 2015) indicate that internal audit in Ethiopia was merely financial audit focused and didn't show the intended development despite its long history.

Most of the prior auditing researches, (eg. Mihret and Yismaw 2007, Belay 2010) examined the effectiveness of Internal Audit Functions in Ethiopian public enterprises. Other few researches, (eg. Admasu and Mihret 2011), examined Reliance of External Auditors on Internal Audit Work. (Mihret and Woldeyohannes 2008) also examined value – added role of internal audit in a public corporate.

However, research examining the law and the practices of internal auditing units and identifying the sources for their inefficiencies has been negligible. To identify specific reasons of internal audit ineffectiveness in government offices in Ethiopia, this research assessed the existing audit work environment (the law), the auditors' proficiencies and the auditors' independence and management support (the practices) in *eight government bureaus in Tigray*.

## LITERATURE REVIEW

### INTERNAL AUDIT: AN OVERVIEW

Originally, internal auditing was presented as a surveillance instrument intended to protecting company assets and checking dependable accounting information (Arena *et al. nd.*). In the later years, however, the role of internal audit has grown significantly in importance in relation to its role in terms of monitoring internal control and financial compliance and integrity and toward a wider internal consultative role within the whole risk management function of its host entity. More recently, financial dishonors and the related reforms attracted new attention on IA as one of the vital constituents of corporate governance and it has been increasingly looked as a possible response to external pressure of reducing information irregularity between upper management and stakeholders.

(Cohen and Sayag 2010) state that Internal auditing (IA) serves as an important link in the business and financial reporting processes of corporations and not-for-profit providers. Moreover, Goodwin-Stewart and Kent (2006) describe that internal auditors play a key role in monitoring a company's risk profile and identifying areas to improve risk management. The aim of internal auditing is to increase organizational proficiency and value by constructive criticism. (Eden and Moriah 1996) as cited in Aaron (Cohen and Sayag 2010) identified four main components IA: (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..

(Rupsy 2008) discussed that today internal auditing is treated as an internal organizational function that integrates activity of reasonable assurance and consulting, which is based on structural, well-grounded and standardized approach for evaluating effectiveness of internal control, risk management and corporate governance.

### INTERNAL AUDIT QUALITY FACTORS: OBJECTIVITY, COMPETENCE AND MANAGEMENT SUPPORT

#### OBJECTIVITY/ INDEPENDENCE

The IIA defined *Objectivity* as “An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires internal auditors not to subordinate their judgment on audit matters to that of others.” And alternatively, independence can be generally defined as *freedom from dependence on, or influence or control by, another person, organization, or state*.

#### COMPETENCE

(Al-Shetwi *et al.* 2011) discussed competence as proficiency and due care and it is measured by academic background, specialization, continuing professional development, experience in auditing, and knowledge of computer aided audit programs. Moreover, The IIA's standard 1210 on proficiency of the auditor, as cited in (Mihret and Yismaw 2007), requires that the internal auditors possess the knowledge, skills and other competencies needed to perform their responsibilities (IIA 1999b).



Office of Federal Auditor General, (OFAG 2009), divides these Professional competences into two phases as Attainment of professional competence which requires a high standard of general education followed by specific education, training and examination in professionally relevant subjects and a period of work experience and Maintenance of professional competence which requires a continuing awareness of developments in the accountancy profession.

### MANAGEMENT SUPPORT

(Dessalegn and Aderajew 2007), discussed management support to IA as any of the elements of IA's characteristics and the importance of management's dedication to implement audit findings and recommendations to serve the purpose. (Mebratu 2015) also recommended that internal audit section heads have to organize internal audit plans and actions with management, external auditors, and other evaluation organizations to certify that most operational audit coverage is realized and duplicate of the determination is reduced.

### CHALLENGES OF INTERNAL AUDITORS

Internal auditors face bigger challenges; growing stresses from stakeholders, professional fraud and unexpected cyber-attacks. In addition, (Warga 2006) has identified some major problems attached with public internal auditors including less support of senior government managers and executives, providing non-audit services, less Cooperation of officials during review and political pressures during reporting process.

### IMPORTANCE OF THE STUDY

Being an extension of some researches on internal audit in Ethiopia in different sectors, this study, regardless of its investigation scope, the results of the study are expected to achieve a great external acceptability because all government internal audits in Ethiopia function within the same legal setting. It also tries to identify the major problems of the existing IAUs and so that respected body can take corrective actions based on recommendations forwarded.

### STATEMENT OF THE PROBLEM

Despite the above discussed roles internal audit plays, the researcher's observations from his 3 years' experience as internal auditor and many studies (eg. Admasu and Mihret 2011 and Belay 2007) have shown that internal audit sections in governmental organizations in Ethiopia are yet nominal and more of traditional type. This weakness, unless solved, will influence largely on economic transparency and

governance matters in the public sector and therefore requires specific study in order to improve the effectiveness of the internal audit section. It's this issue that motivated the researcher to undertake detailed study on this topic.

### OBJECTIVES OF THE STUDY

The general objective of this research project was to assess the major law related and implementation challenges associated with government internal auditors in Ethiopia with special reference to eight Bureaus in Tigray Region and the specific objectives are:

1. To determine whether internal auditors perform their duties objectively.
2. To see whether internal auditors own the required level of proficiency.
3. To ascertain the perception of top management towards internal audits
4. To evaluate whether the law complies with international laws.

### RESEARCH QUESTIONS

This work tried to identify the major challenges (law borne and implementation - related) that government internal auditors face in discharging their duties by raising the following basic questions:

1. Are internal auditors performing their duties objectively and independently?
2. Do internal auditors have the required competence and proficiency?
3. Do internal auditors get sufficient top management's support?
4. Does the law comply with the IIA guidelines?

### RESEARCH METHODOLOGY

#### RESEARCH DESIGN

The descriptive survey research method is employed to study the problem. It is used because the method is believed to provide precise information concerning the major challenges of internal audits in government sectors related to practice and the law.

Therefore, in order to identify and analyze the existing problems of IAFs, compare its existing condition with the reviewed research findings of the past and to draw a general conclusion of the study, the researcher is interested to use this research method of the study. Qualitative research methodology is also employed as a supplementary to the study with the information gained from the open ended questions and interview responses.



## **SAMPLE, SAMPLING TECHNIQUE & DATA COLLECTION METHODS**

The researcher adopted the survey type of research in which a sample from the target population was used for the study. Totally, sample of 8 Bureaus Internal Audit Sections were selected from the target population of 95 Internal Audit Sections. The study used a judgmental sampling technique to select elements; i.e Internal Audit Functions with greater number of employees.

The primary information included in this project is collected through a survey conducted using detailed questionnaire and interview with some internal audit department/process owners. The survey is conducted with the goal of assessing the major challenges government internal auditors encounter in discharging their duties. Structured questionnaires were sent to 40 internal auditors and 24 management staff members at Tigray Bureau of Plan and Economic Development, Tigray Bureau of Education, Tigray Bureau of Water Resources, Mine and Energy, Tigray Health Bureau, Tigray Bureau of Agriculture and Rural Development, Tigray Housing Development Agency, Tigray Rural Roads Authority and Mekelle City Finance Office.

But because most of the management staff members were reluctant to fill the questionnaires because of work load, data from these sources was not used in the analysis and only data gathered from the internal auditors was used for this study. And therefore, the information is limited to the internal auditors' responses only. And out of the 40 auditors, only 34 (85%) filled and returned the questionnaires.

## **RESULTS AND DISCUSSION INTERNAL AUDITOR'S OBJECTIVITY AND/OR INDEPENDENCE**

Overall administrative independence is important in making auditing activities more smooth and effective. In line with this, (Avianti 2009), discussed that in situations where the IAF is independent, in terms of reporting level, an improved control environment and reduction in reporting errors result.

In this study, *six items* were used to assess the level of objectivity of the internal auditor in each bureau and/or organization. Table (1) provides the results of the questionnaire concerning the fulfillment of the internal auditor objectivity attribute in their respected offices. As can be seen from the table, the overwhelming majority of the respondents agree the presence of objectivity attributes like freedom of internal auditors to access all parts of the company, the independence of the internal audit department from

other departments in the organization, freedom given to internal auditors to implement the necessary internal audit procedures, and auditors' ability to report to relevant government authority when officials in the organization abuse their power against public interest, lose their integrity and honesty, and withhold key information to stakeholders.

This is contrary to (Belay's finding 2007) which revealed that organizational structures don't allow internal auditors to report when officials in the organization ill-used their authority contrary to public interest, lose their reliability & morality and when officials reserve crucial information to the public. This difference in results might come from the improvements made to the reporting lines of the internal audit function and due to full application of audit rules and laws in the country.

(Mihret and Yismaw 2007) argued that independence of individual auditors could be achieved by auditor cycle and not assigning auditors to engagements with which they had relationships that are believed to compromise objectivity but opposite to this, 50% of the respondents disagree with this idea in this study. Most questionnaire responses and interview results showed that the internal audit dept. is forced to participate in some routine activities like the preparation of the company's financial statements and accounting records and reasons for this were that it is because, except the IAUs in BoFED, Housing Development Agency, and Rural Roads Authority, all the expenditure and other sections in all the other bureaus are new and therefore require auditors' supports in every financial activities. However, (Belay's study 2007) in public organizations where the IAUs were not new also supports the presence of auditors' participation in audits of their activities in Ethiopia. Therefore, from this it can be concluded that the main reason for internal auditors' engagement in some routine activities is not the newness of the IAUs; it is because the existing style in Ethiopia. Generally, median of the respondents' answers for most items of this attribute are high reached to 4 indicating that at least half of the respondents agree with issues raised but the median to item 4 is "2" which means that greater than half of the respondents disagree with the availability of nonparticipation in audits of their own works.

Further, One important point to be noted from the summarized responses is that even though the majority of the respondents (16% + 47%=63%) agree with item number 6, respondents with significant percentage (34%) neither agreed nor disagreed with the idea raised. This shows that either they are not allowed to do their duties as per the standard or they are not



aware what the law says or there may be any fear that makes them not to tell the truth.

**Questionnaire responses – Auditors’ Objectivity and/or Independence**

Items	SA (5)	A (4)	NI (3)	D (2)	SD (1)	M
1. Auditors conduct audit activities in accordance with auditing standards	8(25%)	22(69%)	2(6%)	0	0	4
2. Internal auditors have free access to information about the organization and unrestricted access to its site.	9(28%)	16(50%)	4(13%)	3(9%)	0	4
3. Internal auditors operate totally independently and can audit any issue they consider worth auditing	10(31%)	10(31%)	7(22%)	4(13%)	1(3%)	4
4. Internal auditors do not participate in audit of activities for the operation of which they were responsible.	3(9%)	9(28%)	4(13%)	12(37%)	4(13%)	2
5. Internal auditors are free to implement any internal audit procedures which they believe are necessary.	3(9%)	22(69%)	5(16%)	2(6%)	0	4
6. The internal audit unit in your organization can report to relevant government authority when officials in the organization abuse their power.	5(16%)	15(47%)	11(34%)	1(3%)	0	4

Source: Questionnaire results, 2018

**INTERNAL AUDITOR’S COMPETENCE**

Internal Audit Profession Assurance, Control and Risk Team (2007), defined competencies as groups of manners, abilities and familiarity desirable to carry out a job effectively.

To assess availability of this requirement, *four factors* were used in this survey. Table (2) provides the results of the questionnaire concerning the level of internal auditors’ competence and/or proficiency in units studied. As can be seen from table 2 below, the overwhelming majority of the respondents believe that most competence factors such as the educational level, professional experience of internal audit, the level of preparation and technical training are more or less maintained in their respected offices; i.e. *median* ≥ 3.

General view of the summarized responses below show that the median values of the respondents’ answers of this field reached between 3 and 4

indicating that most respondents accept the availability of each factor in their bureaus and/or organizations.

57% of the respondents don’t agree with the ability of internal auditors to use Computer Assisted Auditing Techniques (CAATs) which is contrary to the literature. However, literatures, (eg. The Ethiopian Government Auditing Standards, 2006) discuss that an auditor must be qualified, academically and practically and have specialized skills to enable him to implement the audit process in an environment of accounting information systems.

Majority, (53%), of the respondents to item “2” which says “Internal Auditors possess the required professional experience of internal audit” were abstainers. i.e they neither agree nor disagree with the idea raised. Interview results for this show that it’s because the standard is not stated in number of years in auditing standards of the country.

**Questionnaire responses –Auditors’ Competence**

Items	SA (5)	A (4)	N (3)	D (2)	S D (1)	M
1. Internal auditors possess the required educational level.	11(34%)	17(53%)	4(13%)	0	0	4
2. Internal Auditors possess the required professional experience of internal audit.	6(19%)	7(22%)	17(53%)	2(6%)	0	3
3. Internal auditors participate in training and development programs to maintain their skills and keep up to date in the field.	3(9 %)	19(60%)	8(25%)	2(6%)	0	4
4. Internal auditors have the ability to use CAATs.	1(3%)	5(16%)	8(25%)	13(40%)	5(16%)	2

Source: Questionnaire results, 2018

**QUALITY OF AUDIT WORK**

Quality of audit tasks is one of the most noticeable issues on which internal audit effectiveness is attached (AICPA 1991, Mihret and Yismaw 2007). The IIA standards also require the IAU's principal audit executive to develop and preserve a quality assurance and enhancement method that comprises periodic internal quality valuations of the IAU and continuing internal checking [IIA 2003b]. The IIA International Professional Practices Framework (IARF 2011a) also offers compulsory regulation to internal an auditor that defines the model for the IAU to adhere and how an IAU should work.

Taking in to account this notion, *six items* were included to assess the availability of the required quality of internal audit work in the bureaus and/or organizations surveyed. Table (4) provides the results of the questionnaire concerning internal audit work quality given by internal auditors to each factor. As can be seen from the table below, except for audit coverage and regular follow up by internal audits on audit findings, the overwhelming majority of the respondents agree with factors such as adequacy of the extent and scope of the internal auditor work, due audit care by internal auditors when performing their duties, time spent in auditing, scope of audit plans, and quality of audit reports.

Interview results also showed that most of the audit works stick on audit activities of procurement, finance and property management process and more specifically on checking of the accuracy of financial statement balances and the procedures followed to prepare them rather than to consult the management on

risk management issues. Results of (Mihret and Yismaw 2007) also revealed that internal auditors are involved in a range of audit assignments – financial audit, compliance audit, and performance audit. As discussed above, results of assessment of this attribute i.e. audit coverage revealed that auditors stick only on the traditional audit activities specific processes because of little knowledge of the activities of the other processes. This problem is severe in Bureau of Water Resources, Mine and Energy, Bureau of Health and Rural Roads Authority.

The second factor that needs discussion here is the regular follow up made by internal auditors to examine whether actions are taken by management to correct the problems reported. As can be seen from the questionnaire results, 62% of respondents disagree with the idea raised. Interview results show that reasons for this are different among the respondents. Some say that it is because it is not their mandate and others say that it is because management perceives this as unhelpful activity and hence they feel upset. But it is stated in the internal audit manual that follow up responsibility is the auditors’ responsibilities.

**Questionnaire responses – Internal Audit Work Quality**

Items	SA (5)	A (4)	N (3)	D (2)	S D (1)	M
1. Audit plan is determined completely by the internal auditors.	12(38%)	15(47%)	3(9%)	2 (6%)	0	4
2. Internal audit work covers all processes and matters	4 (12%)	6(19%)	5(16%)	14(44%)	3(9%)	2
3. Internal audit's plan includes testing of internal controls and compliance work.	9(28%)	15(47%)	6(19%)	2(6%)	0	4
4. Each audit duty examines sufficient number of items.	3(9%)	18(56%)	7(22%)	4(13%)	0	4
5. Internal auditors take due care when performing auditing.	10(32%)	18(56%)	3(9%)	1(3%)	0	4
6. Internal auditors spend sufficient time in auditing	12(38%)	18(56%)	2(6%)	0	0	4

Source: Questionnaire results, 2018

**MANAGEMENT SUPPORT**

Studies of (Mihret and Yismaw 2007, Albercht *et al.* 1988) indicate management support as a key element of internal audit effectiveness and the method through which senior management pursue their support for internal audit is likely to provide an important indicator as to the role and value of internal audit all over the organization.

Understanding the significance, an assessment of this attribute was made by constructing **eight parameters** and results of this parameters show that auditors in the studied units get less management support as discussed briefly in the following paragraphs.

None of the respondents replied “Strongly Agree” to the paragraphs: “Management allocates sufficient fund for annual training and development of the internal audit staff members, Salary levels are sufficient to allow the organization to attract and retain auditors with the required professional skills and qualifications, Quality assurance & improvement programs exist and Auditees (organizations and/or processes being audited) regard internal audit as a value adding service.” Only few respondents (4, 3, 4, and 8 respectively) replied “Agree” and most respondents (56%, 56%, 72%, and 41% respectively) replied “Disagree” and “Strongly Disagree” for each of the above listed paragraphs. The median of the responses for the parameter: “Management allocates sufficient fund for annual training and development of the internal audit staff members” is “2” which means more than half of the respondents do not agree with the paragraph. Interview results indicate that the internal audit department doesn't administer its own budget; it is under the procurement, finance, and property management for budget purpose and this powerlessness

to administer own budget harmfully affects performance of internal auditor.

Again, as can be seen from the table below, most respondents, (59%) indicate that number of internal auditors is not sufficient to cover all the activities of their respected offices or bureaus. Furthermore, the researcher came to know that in most of the offices, except in Bureau of Agriculture and Rural Development and Health Bureau; even the required number of auditors according to organizational structure is not fully staffed. This is severe in Rural Roads Authority where there are only “2” auditors out of “5”. It is also worth noting that significant number of auditors (53%) feel that their respected bureaus do not sufficiently utilize audit reports and management's response to the internal audit findings and recommendations is generally not adequate. This would have far reaching suggestions on the auditor's boldness to improving audit quality and their pledge to develop a profession as internal auditor.

As it is shown in table 4 below, the median for items “1”, “7” and “8” is 3. For item number 1, the total of respondents who replied “Agree” and “Strongly Disagree” constitute only 34%; (i.e. Strongly Agree = 6% and Agree = 28%) and the number of respondents who replied “Disagree” and “Strongly Disagree” constitute 19%. Majority of the responses are concentrated in the Neutral category indicating that respondents are reluctant to provide the real information. This may be due to fear of being punished by their bosses. What is most important is that comparing the number of respondents who replied *Strongly Agree + Agree* with the number of respondents who replied *Disagree + Strongly Disagree*. In items “7” and “8”, the percentage of respondents who replied [Disagree + Strongly Disagree] is greater than the percentage of respondents who replied



[Strongly Agree + Agree] and therefore managements of the organizations surveyed are required to think of the problems and take actions. In item number 1, though the percentage of respondents who replied Strongly Agree + Agree is greater than the percentage of respondents who replied Disagree + Strongly Disagree respondents, the greater percentage of abstainers indicates that there is something which respondents are dissatisfied with.

In this study, responses to most management support parameters were either neutral or negative and in all the parameters, except for item 6, the **Strongly Agree** and **Agree** responses constitute below 50%. From this, it can be concluded that *less management support is found as the major challenge for internal auditors in executing their duties.*

### Questionnaire responses – Management Support

Items	SA(5)	A(4)	N(3)	D(2)	SD(1)	M
1. Top management provides the necessary support to internal audit department.	2(6%)	9(28%)	15(47%)	6(19%)	0	3
2. Management allocates sufficient fund for annual training and development of the internal audit.	0	4(13%)	10(31%)	15(47%)	3☆9%	2
3. Internal audit dept. has sufficient number of staff.	3(9%)	3(9%)	7(22%)	8(25%)	11(35%)	2
4. Salaries are sufficient to attract and retain auditors with the required professional skills.	0	3(9%)	11(34%)	13(41%)	5(16%)	2
5. Quality assurance & improvement programs exist	0	6(19%)	7(22%)	15(47%)	4(12%)	2
6. There is complete internal audit manual to guide internal auditors.	2(6%)	18(56%)	5(16%)	7(22%)	0	4
7. Auditees regard internal audit as a value adding service.	0	8(25%)	11(34%)	13(41%)	0	3
8. Top management demands implementation of internal audit recommendations	1(3%)	7(22%)	7(22%)	10(31%)	7(22%)	2

Source: Questionnaire results, 2018

### CONCLUSION

Although the survey covered a relatively small geographic area and units, the variety of organizations included in this study provides a relatively illustrative picture of the internal audit units' activities in the region in which the surveyed bureaus are found.

Based on the analysis of information made, the following *findings* are noted in almost all the bureaus.

- Despite the Ethiopian Internal Audit Manual limits internal auditors to abstain from judging specific operations for which they were previously accountable, real practices from the analysis found that internal auditors are forced by their bosses to participate in audits of activities of their own previous works.
- Use of CAATs in audit works is found null and nearly all of the auditors in the surveyed bureaus are found Computer illiterate. Existing computers are used only for plan and report writing purposes. With regard to competence issue, significant number of auditors hold auditing work experiences of

below two years and therefore it is hard to conclude that all auditors have the required competence level to achieve the desired effectiveness level.

- Most internal activities in the surveyed organizations are found to stick to the more traditional audit types with limited areas which is far behind the state of the art.
- Auditors feel that management does not provide annual trainings and development workshops for internal audit staff members. Of course, interview responses showed that the Version Inspection rarely arranges internal audit training.
- Number of internal auditors in most of the bureaus found insufficient. Only two of the total surveyed organizations had fully staffed internal audit sections.
- Internal Audit Department Heads have less knowledge to prepare quality assurance and improvement programs. Management also has





less knowledge and motive to arrange these programs.

## RECOMMENDATIONS

Results of this study revealed that the internal audit activities yet emphasize on the traditional financial and compliance audits with limited scope.

In response to the weakness summarized above, the following recommendations are forwarded.

☒ Internal Audit Units in all organizations have to maintain the *attribute standards* of *Independence* and *Objectivity*. More specifically, participation of internal auditors in audits of operations under their authorizations, (which has an adverse effect on their objectivity), has to be avoided.

☒ To cope with the ever changing technology advancement and complex business environment, internal auditors are required to be acquainted with the basic computer skill and acquire the relevant technological literacy to do their jobs. Therefore concerned bodies are recommended to arrange basic computer trainings for their auditors.

☒ The scope of internal audit work be extended to include corporate governance and risk management roles in addition to the traditional financial and regularity audits; i.e the IAUs of the organizations are required to widen their audit scopes than to stick to the routine and non-value - adding activities.

☒ Managements should allocate sufficient fund and arrange annual trainings for the development of the auditing profession and auditors have to beware to continue their education and participate in different professional associations to reach the highest level in the profession.

## FUTURE AREAS OF INVESTIGATION

A nationwide similar study is encouraged to get the overall picture of internal audit section in Ethiopia. A research to identify the determinants of effectiveness of internal audit in private sectors is also recommended.

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