



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MBA IN ACCOUNTING AND FINANCE

**ASSESSMENT OF INTERNAL AUDIT EFFECTIVENESS
THE CASE OF COMERCIAL BANK OF ETHIOPIA.**

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JUN, 2017

ADDIS ABABA, ETHIOPIA

**St. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MASTER OF BUSINESS ADMINISTRATION PROGRAM**

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**A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION IN ACCOUNTING AND FINANCE**

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STATEMENT OF DECLARATION

I, BezaDeres, Declare that this Research, titled —assessment of internal audit effectiveness in Commercial Bank of Ethiopia is done with my own effort. I have produced it independently except for the Guidance and Suggestions of My Research Advisor. I assure that this Study has not been Submitted For any Scholarly award in this or any other University.

BezaDeres

Signature _____ Date _____

CERTIFICATION

Here with I State that BezaDeres has carried out this Research Work On the topic entitled assessment of internal audit effectiveness in Commercial Bank of Ethiopia under My Supervision. It Is Sufficient for Submission for the Partial Fulfillment for The award Of MBA in Accounting and Finance.

Abebaw Kassie (PHD)

Signature _____ Date _____

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ACRONYM

ACCA - The association of chartered certified accountants

CAATs - Computer assisted audit techniques

CBE- Commercial bank of Ethiopia

CIA- Certified internal audit

CIA- Chief internal audit

CIPFA- Chartered institute of public finance and accountancy

CISA- Certified information system auditor

CDSO- The committee of sponsoring of the tread way commission

GAAP- Generally accepted accounting principles

IAP- Internal audit process

ISSPIA- International standard for the professional practice of internal auditing

IT- Information system

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ABSTRACT

Well performing internal audit function is one of the strongest means to help 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 as well as to produce effective audit of high quality. As a result, in many countries it has received an increasing attention as an important component of government financial management and as a tool for improving the performance of their activities. In line with this, the effectiveness of audit activity is influenced by various factors and identifying these factors and treating them accordingly should be the central promises of the internal audit process in order to maintain effective audit of high quality at satisfactory levels. This study was aimed or conducted to assess the internal audit effectiveness in commercial bank of Ethiopia. The study employed quantitative survey research design to gather data from the target population (i.e. 104 respondents of all internal audit staffs have been taken). Based on this fact, both primary and secondary data were used. Descriptive statistical tools such as tables and percentages are used in analyzing the data collected. According to the study, it is confirmed that career and advancement, professional competence, quality of audit work, independence of internal audit and top management support and lack of periodic revision of the guide line and non-compliance of auditors to some extent to the guide line were found to be the issues that are affecting effectiveness of audit activity in the study area, whereas organizational independence was found to have positive impact on audit effectiveness in the process. Finally, based on the findings possible recommendations were given. These include, maintaining guide line that is prepared in accordance with the international standards which is customized to the current existing system; providing appropriate programs for training and developing the internal auditors by allotting some percentage of the total time of the work for continuing education and certification in CIA, CISA, CFE and ACCA; providing the internal audit process all the necessary support required from the top management; providing training and development programs to keep up to date in the field, and providing all the required physical resources.

CHAPTER ONE

Introduction

1.1. Background of the study

The globalization of economy, technological advancement, and complexity of business and allegations of fraudulent financial reporting have recently sharpened the ever increasing attention to internal control and internal auditing (Karagiorgos et al. 2009). The developing role of the internal auditing is also reflected in its current definition, i.e. internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process (Savcuk, 2007). It can be argued from this definition that internal auditing that internal auditor is required to be a multi skilled individual. This definition also signifies that internal audit has undergone a paradigm shift from an emphasis on accountability about the past to improving future outcomes to help auditor's operate more effectively and efficiently (Nagy and Cenker, 2002; Stern, 1994; Goodwin, 2004).

Sawyer (1995) states that the internal auditor's job is not done until defects are corrected and remain corrected. "Van Gansberghe (2005) also explained that internal audit effectiveness in organizations should be evaluated by the extent to which it contributes to the demonstration of effective and efficient service delivery, as this drives the demand for improved internal audit service. This shows that internal audit is effective if it meets the intended outcome it is supposed to bring about.

Effective internal audit undertakes an independent evaluation of financial and operating information and of systems and procedures, to provide useful recommendations for improvements as necessary. According to (MihertZelege and Yismaw, 2010; Cohean and Sayag, 2010; Ahmed et al, 2009; Arena andAzzone, 2009;;Dittenhafer, 2001; Haimon, 1998; Asairy, 1993) internal audit effectiveness is the interaction among the different factor such as the relationship between external and internal auditors, size of internal audit department, quality of audit work; professional proficiency, organizational independence, career advancement and

top management support. The effectiveness of internal audit greatly contributes to the effectiveness of each audited in particular and the organization at large (Dittenhafer, 2001).

An internal audit function's capability to provide useful audit findings and recommendations would help raise management's interest in its recommendations and the professional proficiency of the internal audit in terms of educational qualifications, professional qualifications, work experience, and continuing professional development is essential in attaining audit effectiveness. Also, the organizational setting in which internal audit operates, i.e. the organizational status of the office, its internal organization and the policies and procedures applying to each audited, should enable smooth audits that lead to reaching useful audit findings. Though, internal audit effectiveness should be brightness as a dynamic process that is continuously shaped by the interaction among the different factors mentioned above.

Therefore, the major concern of this study is to assess internal audit effectiveness in Commercial Bank of Ethiopia.

1.2. Statement of the problem

Organizations exist to achieve specific goals and objectives. But, goals are not always achieved as expected, because they have to achieve in an environment of risk and system dealing with these risks includes the internal auditing activity, which exists to examine and report on risk exposures and the organization's risk management efforts. With the help of internal control, managers have to identify, manage, and implement the controls to deal with these risks. Internal auditing is one of the essential pillars of corporate governance, along with the board of directors, senior management, and external auditing. Because of internal auditors' unique position within the organization, they provide the management important assistance by giving objective assurance on governance, risk management, and control processes (Betelhem Tesfaye 2014).

It is recognized that effective internal audit activity needs to add value to the organization by closely aligning itself with the major concern of senior management and focusing on the issues that are critical to success. The responsibilities of internal auditors are similar to the consultant in the sense that both are responsible for the technical quality of the advice they give. Hence, effective internal audit the most important part in an organization and particularly to banking

industry because of the perceived risk resulting from some of the characteristics of business conditions and economic environment in which they operate.

However, in Commercial Bank of Ethiopia, there is a problem in the quality internal audit, lack of Management support and the bank also suffers from being integrated with regular accounting activities. So, as compared to the age and size of the organization, the internal auditing practice and its effectiveness is in question. Assessing the effectiveness of the internal audit activity in Commercial business will be vital.(BetelhemTeskaye 2014)

Despite its significance, empirical studies that are conducted in developing countries particularly in Africa showed the non-independence work of internal auditors (Dawuda, et.al, 2015) and are embracing the conservative approach which is primarily concerned with compliance and monitoring rather than adopting value added approach to achieve the objective of the organization (Ramachandran, et al, 2012).

In a similar fashion, internal audit in Ethiopia haven't get due attention in one hand and are inefficient for the performance of an organization, on the other hand. Habtamu, et.al. (2015) investigated the effectiveness of internal audit in improving the performance of an organization in Wollo University by using both primary and secondary data. The result showed that there is no auditing committee and auditors didn't have required experience, adequate resource allocation, and even didn't have audit charter and concluded that internal audit is ineffective to audit and haven't yet contributed for the performance of the university. Furthermore, as studied by Amina (2015),on the role of internal auditor in private and public organizations in Jimma zone selected woredas by using both primary and secondary data and found out that internal auditors haven't either audit committee or audit charter, and the auditors are not professionally well certified and couldn't entertained their role. As to the best knowledge of the researcher, there is no well rectified research conducted on the assessment of the effectiveness of internal Audit of Commercial bank of Ethiopia as it played a massive role for the development of financial sector and for the overall economic growth of the country. So the study fill the literature gap in the area by assessing all these limitations of application of the standards of the institute of internal auditors regarding the effectiveness of internal audit in the bank.

1.3 Research Question:

- Do auditors act in accordance with the guide line of internal audit process conducting audit activity?
- How do occupation and improvement, professional competency, quality audit work, organizational independence, management support, influence in internal audit process?
- What role is played by the internal auditor in improving the performance of an organization?

1.4. Objective of the study

General objectives:

The main objective of the study is to assess audit effectiveness in the internal audit process of CBE.

Specific objectives:

The specific objectives of the study include:

1. To assess the compliance of auditors to the guide line of internal audit process in conducting the audit activities.
2. To assess the advisory role performed by internal auditor in CBE
3. To assess the internal audit activities done by internal auditors
4. To assess the effectiveness of internal audit based on the occupation and improvement, professional competency, quality of audit work, organizational independence, management support and the interplay among auditors

1.5. Significance of the study

This study have a significance to provide relevant information to the concerned bodies in addressing problems related to the effectiveness of audit activity in the study area and for policy

making regarding audit effectiveness. The study could also be used as an initiation for those who are interested to conduct a detailed and comprehensive study regarding audit effectiveness

1.6 Scope of the study

This research delimited in the following manner:

Conceptually; this study is limited to the assessment of the effectiveness of internal audit activity in Commercial Bank of Ethiopia the case of internal audit process found in Addis Ababa Ethiopia. In addition to this, according to the literature review, the study takes in to considerations factors such as professional competence of staff, quality of audit work, organizational independence, career and advancement, and top management support etc that are expected to affect the effectiveness of internal audit activity . Furthermore, the study focuses on all members of the target group for the assessment of the audit effectiveness. The research also limited to assess the effectiveness of Internal Audit of CBE at contemporary practices of Addis Ababa area and the finding cannot conclude other similar organization.

1.7 Limitation of the study

In conducting this study, the researcher were experienced on some limitations; such as, lack of willingness to fill questionnaire and due care and return on time. In addition the researcher not obtained sufficient documents to conduct the study.

1. 8. Organization of the study

This paper organized into five chapters: The first chapter provides an overview of the study. It contains introduction of the issues which the study is concerned, problem statement, objectives, scope and limitations and organization of the study. The second chapter assesses previous literature and studies significant to the field and related topics. The third chapter discusses research design and methodology. The fourth chapter describes overall findings of the study. It deals with presentation analysis and interpretation of data, discussion of the research result. Finally, the chapter five present summary, conclusions, and recommendations of the study; followed by the list of references used.

CHAPTER TWO

Literature Reviews

2.1. Basic Concepts of Auditing

Concepts are abstractions derived from experience and observation and are designed to aid understanding of the similarities within a subject matter and the difference from other subject matters. Much like engineering, physics, economics, and Sociology and other physical and social sciences, auditing is based up on a series of fundamental concepts. The importance of auditing concept is that they are the basis for standards, the guidelines or measures of quality from which audit procedures are derived. Together, therefore auditing concepts, standards and procedures are related (Jennifer, 1997)

2.2. Definition of Auditing

Auditing is the content of Dianetics and Scientology is an activity where a person trained 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 in 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 another 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)

2.1. Theoretical Framework of Internal Auditing

In order to determine internal audit efficiency evaluation principles, it is important to analyze the concept of internal audit (Savcuk, 2007). Undoubtedly, the large amount of definitions that is given by many researchers depicts the great importance of internal auditing. More specifically, the institute of internal auditors, (IIA, 1991; Taylor and Glezon, 1991; IIA, 1995, Konrath, 1996) defined internal auditing as an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. By measuring and evaluating the effectiveness of organizational controls, internal auditing, itself, becomes an important managerial control device (Carmichael et al, 1996), which is directly linked to the organizational structures and the general rules of business (Cai, 1997) A more specific definition by Sawyer (2003), who stated that internal auditing is a systematic, objective appraisal by internal auditors of the diverse operations and controls within an organization to determine whether (1) financial and operating information is accurate and reliable (2) risks to the enterprise are identified and minimized, (3) external regulations and acceptable internal policies and procedures are followed (4) satisfactory operating criteria are met, (5) resource are used efficiently and economically and (6) the organization's objective are effectively achieved all for the purpose of consulting with management and for assisting members of the organization in the effective discharge of their governance responsibilities.

2.1.1. Principles of Internal Audit Process

Internal auditors are expected to apply and uphold the principles of Integrity (establishing trust and thus providing the basis for reliance on their judgment), objectivity (exhibiting the highest level of professional objectivity in gathering, evaluating, and communicating information), confidentiality (respecting the value and ownership of information they receive), and competence (applying the knowledge, skill and experience needed in the performance of internal audit services.)

2.1.2. 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 detect 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
- *To detect and correct inefficient operational and weak points. Based on this, to recommend change in the control system.

2.1.3. 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).

2.1.4. 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's 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 directors 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.

Internal audit: provides an independent assessment of the adequacy of, and compliance with the 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).

2.1.5. 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 within 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 to the bank's policies and 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 (IBID)

2.1.6. Effectiveness of Internal Auditing

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 Asairy, Dittenhofer (2001) assessed the effectiveness of internal audit through a new technique, named as results examination which involves identifying the auditor's 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, Miheret 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.

2.2. Empirical Reviews on Internal audit effectiveness

As the main aim of this research is to assess the effectiveness of internal audit, different authors and researcher's idea and recommendations regarding the related topic of internal audit are analyzed and presented. Although the prologue of internal audit in Ethiopia are dated in the 1940s the time also the united states and most European countries are adapted; the effectiveness of internal audit in the banking industry in particular are challenged because of the factors that hinder the development of internal audit in Ethiopia. For the ease of presenting the literature those studies regarding the main factors that influence the effectiveness of internal audit; such as Professional Proficiency of Internal Auditors, Quality of Audit Work, organizational independence of internal auditors, Career and Advancement and Management support are included in this literature as they are proofed the key determinant factors their respective case studies.

2.2.1 Professional Proficiency of Internal Auditors

Appropriate staffing of an internal audit department and good management of the staff are keys to the effective operation of an internal audit. An audit requires a professional staff that collectively has the necessary education, training, experience and professional qualifications to conduct the full range of audits required by its mandate (A1-Twajry, Brierley and Gwillian 2003). Auditors must comply with minimum continuing education requirements and professional standards published by their relevant professional organizations and the 11A (2008) and must have a high level of education in order to be considered a human resource (Bou-Road, 2000). According to (Albrecht et al. 1999; Ratlitt 1996) the greater the professional qualifications of the internal auditors in a given department, defined by the length of their professional training, experience and educational level, the greater the effectiveness of this department.

Professional competence can be obtained through a variety of ways such as on job training, formal internal and external training, staff rotation, encouragement of become a certified auditor in area such as (certification like CIA, CISA, CFE and ACCA), and experience sharing session among the auditors.

The internal audit guide line also states that the professional competence of each internal auditor as well as his/her motivation and continuing training are the prerequisite for the effectiveness of the internal audit. This means each internal auditor must maintain the required knowledge, skills and abilities to conduct the audit activity.

2.2.2. 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's 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 is 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 office'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's 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 actiOn 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's planning and execution will improve the audit's effectiveness. The internal audit guide line 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.

2.2.3. Organizational Independence

Chartered institute of public finance and Accountancy (CIPFA), Worldwide professional standards and guidance, international standards for the professional practice of internal Auditing (ISPPIA) and the institute of internal Audit (IIA) practice advisory; suggest that organizational independence of internal audit department can be gained by means of reporting to levels within the organization that allow the internet audit department of perform its responsibilities free from interference; avoiding conflict of interest, having direct contact with the board and senior

management; having unrestricted access to records, employees and departments, the appointment and removal of the head of internal audit not being under the direct control of executive management; and not performing non-audit work.

The internal audit guide line also states that internal auditors shall be independent of the activities they audit and maintain an independent attitude so as to conduct the audit activity effectively and efficiently.

2.2.4. Career and Advancement

Goodwin (2001) argued that, internationally, the practice of staffing the internal audit department with career auditors is becoming less common, with more organizations using the function as a training ground for future management personnel. This practice is designed to help the organization train well –rounded senior managers.

Internal auditors perform a wide variety of activities across different departments within the organization which gives them the opportunities to learn how these departments function and how they are managed. Furthermore, managers that have had experience in internal auditing should have a better understanding of the importance of internal control. The ability to use internal audit-roles as a stepping stone to managerial positions is seen as one of the advantages of having an in house internal audit function rather than outsourcing internal audit activities. Albercht et al. (1999) found that most participants perceived internal audit as a gateway to either a managerial position, or a career in internal auditing. According to Goodwin (2001) internal auditors who operate in settings with more organizational career opportunities will invest more effort in their work in order to increase their promotion opportunities than those with fewer opportunities for organizational advancement who will invest less effort in their work, reacting in a lower performance level. The degree to which internal auditing;

2.2.5. Management support

Fernandez and Rainey (2006) argued, based on a thorough literature review, that top management support and commitment to change play a crucial role in organizational renewal, as senior managers' can mobilize the critical mass needed to follow through on efforts launched by one or more visionary thinkers. A number of empirical studies have found top management support for quality works to be a key factor in its improvement (for example, Dale and Duncaff 1985; Elorahimpour and Lee 1988). Given this, it is not surprising that management acceptance of and support for the internal audit function has long been seen as a critical issue to the success of internal audits function (Sawyer 1973)

Several recent studies have demonstrated that support for internal auditing by top management is an important determinant of its effectiveness (Schwartz, Dunfee and Kline 2005). Funding, of course, is an important measure of such support.

Internal audit departments must have the right and the resources needed to hire the right number of high quality staff, to maintain modern in training and development, to acquire and maintain physical resources.

CHAPTER THREE

3. Research Design and Methodology

Research involves a wide range of skills and activities. One must be able to devise methods of data collection and gather appropriate and enough data, must be able to work with a wide variety of people, understand the specific methods used to conduct research, and the subject being studied be able to convince the firm to secure necessary findings to study the problem, stay on track and on schedule, speak and write persuasively.

3.1 Research Design

In order to answer the basic research question raised above the researcher used descriptive type of research method. The researcher describe the incompliance of the internal audit principles with specified standards and policy can play a great role of achieving organizational goal and they work effectively and efficiently in commercial bank of Ethiopia by using questionnaires method.

3.2. Population and Sampling Technique

The population under consideration or studied are all employees who are working in internal audit department at the head office of CBE Debrework building. The target group of the study is restricted to the internal auditors of the bank found in the internal audit process in Addis Ababa, Ethiopia. According to the manager of internal Audit process, the total numbers of internal auditors in the internal audit process as of APR, 2017 are 104 including IT Audit.

After the list of these internal auditors, with the available time 100% of total population was selected using census survey. Thus, in total 104 internal auditors meaning twenty six team (one from each team) and seventy eight auditors was selected. The researcher used all the population because so as to get better information both from the team leader and employees working in internal audit department on the issues in consideration under the study and to make the study more comprehensive. The detail of the population is depicted in the table below.

Table 1 Number of sample respondents included in the sample

Description	Size	Number of sample respondents
Number of team leader	26	26(one from each team)
Number of members in each team on average	4	78(three from each team)
Total	$26 \times 4 = 104$	$26 + 78 = 104 = 104/104 = 100\%$

The survey covered all target population. The sample constitutes 100 percent of the target population. Questionnaires were distributed to these 104 internal auditor and 89 internal auditors responded. This shows that 85.58 percent response rate. Thus, 85.58 percent rate was reasonably good.

3.3. Types of Data and Sources

There are two types of data sources that are used in this research: -primary and secondary data sources. There are a wide variety of primary and secondary data gathering tools that are available for researchers.

The data for the study are both primary and secondary. The primary data was collected through questionnaire. The demographic of the respondent will established first in the questionnaire. Secondary data were collected from documents, practical manuals of CBE.

3.4 Reliability and Validity of the Instrument

Validity refers to the extent to which a test measures what we actually wish to measure. To raise the validity of the research, the researcher undertaken the following:

- Data was collected using developed questionnaire from different papers with slight adjustment with the exiting situation of the study.

- The questionnaire was distributed and collected by the researcher himself.

Reliability has to do with the accuracy and precision of a measurement procedure.(Kothari,2004). The questionnaire was pre-tested to test the content validity of the instrument and also to check the clarity, length, word ambiguity and structure and their suggestion were incorporated before the final distribution of the questionnaire.

3.5. Data Analysis Method

Data analysis is a set of methods and techniques that can be used to obtain information and insights from the data. By collecting and summarizing the response of the questionnaires in tabular format, the researchers analyzed it by comparing with the audit standards, policies and procedures of the CBE. In order to find answers to the specific objectives one and specific objective two as stated in chapter one, descriptive statistical tools such as Frequency, tables and percentages was used to present the data. Finally, the result of statistical analysis was summarized, tabulated and interpreted appropriately

CHAPTER FOUR

DATA ANALYSIS AND INTERPREATION

This chapter deals with five sections. First section contains a summarized description of the personal characteristics of the respondents followed by the Second section which shows auditors' general knowledge about the guide line and Charter of the Internal Audit process. The third section shows respondents' responses on auditors' compliance with the Guide line and Charter of the Internal Audit process. The Fourth, Fifth and Sixth section shows types of Audit conducted very often, types of Audit Findings encountered very often, and Types of additional certification of Auditors respectively. Finally Analysis of Factors such as career and Advancement, Professional competency of internal auditors', Quality of audit work, Organizational independence of auditors', and Top Management supports are examined under Eighth section of the chapter.

As stated in the previous chapter, the questioners were distributed to 104 employees' of internal audit department of commercial bank of Ethiopia. However only 89 questioners were appropriately filled and return. Out of the total sample 15 questioners were uncollected. And this give 85.6% return rate.

4.1 Characteristics of the Study Population

Table 2 Respondents Profile

Age Category in Years	Frequency	Percentage
18 to 25	0	0
26 to 35	41	46.07
36 to 45	25	28.09
Above 45	23	25.84
Total	89	100
Gender		
Male	67	75.28
Female	22	24.72
Total	89	100

Educational Status		
12th Complete	0	0
Diploma holder	1	1.12
Degree holder	81	91.01
Master and above	7	7.87
Total	89	100
Work Experience		
0 to 5 Years	26	29.21
5 to 10 years	33	37.08
10 to 20 years	19	21.35
Above 20 Years	11	12.36
Total	89	100

Source: SPSS Output from survey Data (2017)

Table 2 shows that the age factor of the respondent’s profile was 0 percent (18-25), 46.07 percent(26-35), 28.09 percent (36-45) and 25.84 percent (above 45). As it is shown in the table above; the majority of the respondents in the internal audit process fall in the working age (26-35 years) group accounting to 46.07 percent.

This shows that the young people who fall in the working age group are employed as internal auditors in the internal audit in the internal audit process. However, males were dominant, comprising 80percent and females were 20.5 percent of the total respondents.

This high ratio of male reflects that the participation of females in the internal audit process as internal auditors in very minimal as compared to the participation of males which may be due to the fact that the internal auditors are most of the time on field work which may not be convenient for females as they have house responsibilities.

About 1.12 percent of the respondents are diploma holders. As the hierarchy goes up first degree holders represented 91.01 percent and 7.87 percent of the total respondents were even more highly educated having masters degree and above. This indicates that the majority of internal audit staffs have at least the minimum required qualifications (first degree) to become internal auditors.

The work experience of the internal audit staff in the internal audit process was 29.21 percent (0-5 years); 37.08 percent (5-10); 21.35percent (10-20); and 12.36 percent (above 20 years).

This indicates that almost 70.79 percent of the respondents have ample work experience of greater than five years in the process as an internal auditor which is one of the criteria that internal auditors need to have so as to conduct audit activity effectively.

4.2. Analysis of the Findings of the Study

4.2.1. Respondents General knowledge about the guide Line and Charter of IAP

In order to know the general knowledge of the respondents in the study area, different questions were forwarded to them mainly focusing on the guide line and charter of the process. The responses of the respondents are briefly summarized in the following table.

Table 3 Responses on General Knowledge about the Guide line I charter of IAP

Possible Measures	Yes		no		Do not know		Total	Mean
	F	%	F	%	F	%		
	Do you have a guid Line and charter related to Internal audit Process?	84	94.5	5	4.6	0	0	89
Do you think the carter of the process is prepared in a manner to assist internal audit process to fulfill its mission and in turn assist CBE in achieving strategic objectives??	6	6.7	74	83.1	9	10.1	89	2.0337
Does the guid line contain detailed steps to be followed by the auditors to conduct audit activity?	10	11.2	64	71.9	15	16.9	89	2.0562
Do you think the guid line of the process is up to date and convenient for conducting audit activity effectively?	10	11.2	69	77.5	10	11.2	89	2.000
Does the guid line of the internal audit process comply with international standards for the professional practices of	57	64	14	15.7	18	20.2	89	1.5618

internal auditing published by the institute of internal Auditors?								
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Source: SPSS Output from survey Data (2017)

Table 3 show majority of the respondents (94.5) percent said that they have guideline and charter related to internal audit process; (64) percent of the respondents agreed that the guide line of the IAP complies with the international standards for professional practice of internal auditing published by the institute of internal auditors; (83.1) percent of the respondents said that the charter of the process in not strategically aligned to fulfill its mission and in turn assist CBE in achieving its strategic objectives; (77.5) percent of the respondents said that the guide line of the process is not up to date and convenient for conducting audit activity effectively; and (71.9) percent of the respondents also said that the guide line do not contain details steps to conduct audit activity effectively. This indicates that almost all of the respondents know that they have guide line and charter related to their process which is prepared in accordance with international standards.

But on the other hand, the above table also indicates that Majority of the respondents have complains that guide line lacks periodic revision and detailed steeps needed to be followed by the auditors which may have an adverse effect on their audit activities.

4.2.2. Auditors’ Compliance to the Guide line of IAP

Table 4 Responses on compliance of Auditors to the Guide Line of IAP

Possible Measures	YES		NO		DO NOT KNOW		TOAL	MEAN
	Freq.	%	Freq	%	Freq	%		
Do internal auditors avoid activities that could undermine their objectivity?	39	13.3	81	27.6	75	25.6	293	2.86
Do quality assurance & improvement programs being conducted regularly as stated in the guide line of the process?	20	6.8	131	44.7	67	22.9	293	2.71

Does internal auditors started using computer assisted audit techniques (CAATs) to test the total population?	8	9	77	86.5	4	4.5	89	1.9551
Do internal auditors conduct an exit and entry conference with the auditor?	86	96.6	3	3.4	0	0	89	1.0337

Source: SPSS Output from survey Data (2017)

Table 4 shows majority of the respondents (96.66) percent said that they conduct entry and exit conference with the audit; (90) percent of the respondents said that there is a rule that prohibits auditors to audit operations for which they had been responsible previously; and (70) percent of the respondents also said that they do not conduct audit activities that could undermine their objectivity. But (86.4) percent of the respondents said that they did not started using computer assisted audit techniques (CAATs) to test the total population instead of taking Sample; and (70) percent said that they do not have quality assurance and improvement programs.

This indicates that the auditors are following to some extent to their guide line even though they had complains on the appropriateness of the guide line; however, the above table clearly shows that there is failure to some extent in conducting quality assurance and improvement program regularly as stated in the guide line of the process which could highly affect the quality of the audit work done by the internal audit process. Moreover, the above table also indicates that the process is failed to start the CAATs which could help the auditors to test the total population instead of taking sample so as to increase the coverage of the cases or activities that are being performed by each of the bank organs indicating to some extent failure to follow properly their guide like do far.

4.2.3. Types of Audit conducted very often

Table 5 Response on type of Audit Conducted Very Often

Types of Audit	Frequency	Percentage
Financial Audit	28	31.5
Operational Audit or Performance Audit	6	6.7
Information System Audit	3	3.4
Compliance Audit	52	58.4
Total	89	100

Source; SPSS Output from survey Data (2017)

Table 5 shows when the respondents were asked to rank the type of audit mostly conducted from the list of most probable options, Majority of the respondents (58.4) percent said that they conduct mostly compliance audit followed by financial audit (31.5) percent; operational audit or performance audit (6.7) percent and the remaining one said information system audit (3.4) percent.

The above scenarios clearly indicates that the activities of internal audit process in each of the study units one more of traditional type that emphasizes on compliance, financial, and regularity rather than addressing the value adding type of audit to the bank.

4.2.4. Types of Findings Encountered very often

Table 6 Responses on Type of Finding encountered very often

Types of Findings	Frequency	Percentage
Insignificant Findings	30	33.7
Minor Findings	40	44.9
Major Findings	19	21.3

Total	89	100
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Source: SPSS Output from survey Data (2017)

Table 6 shows when the respondents were asked to rank the mostly encountered type of audit findings from the list of most probable options, Majority of the respondents (44.9) percent said that they encountered mostly minor audit finding followed by insignificant audit findings (33.7percent); and the remaining said major audit findings (21.3 percent). The above scenarios clearly indicates that the bank is not such much exposed to major risks compared to other type of findings which may lead the bank to high risk. On the other hand, this may also indicate the auditors' lack of sufficient skill and experience for indentifying risk areas where these types of findings might exist and the carelessness of the auditor to learn from their previous mistakes.

4.2.5. Types of Additional Certification of Auditors

Table 7 Responses on available Certification of Auditors

Types of Certification Frequency Percentage

Types of Certification	Frequency	Percentage
Certified Internal Auditor (CIA)	4	4.5
Certified information system Auditor (CISA)	0	0
Certified Fraud Examiner (CEF)	0	0
The association of Chartered Certified Accountants	0	0
No certifications	85	95.5

Source: SPSS Output from survey Data (2017)

Table 7 Shows when the respondent were asked to put a thick mark on the type of certification they have from available options, majority of the respondents replies (95.5%) that there were not have any additional certification, only (4.5 percent) said that they had been certified as certified internal Auditors (CIA). This indicates that the internal auditors in the internal audit process in general do not have additional required certification that may help the internal auditors to conduct effective audit.

4.2.6. Analysis of Factors that are expected to affect Audit Effectiveness

4.2.6.1. Career and Advancement

Table 9 responses on Career and advancement related Questions

Possible Measures	Strongly Disagree		Disagree		Neither Agree or Disagree		Agree		Strongly Agree		Total	Mean
	Freq	%age	Freq	%age	Freq	%age	Freq	%age	Freq	%age		
Internal audit is one stage in training & preparing internal audit staff in the bank	9	10.1	47	52.8	10	11.2	17	19.1	6	6.7	89	2.5955
Internal audit is one stage in the promotion process of internal audit staff in the bank	10	11.2	51	57.3	9	10.1	15	16.9	4	4.5	89	2.4607
Internal audit is	16	18.0	43	48.3	13	14.6	13	14.6	4	4.5	89	2.3933

considered as a stage in the career development of internal audit staff in the bank													
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Source: SPSS Output from survey Data (2017)

Table 9 shows that Majority of the respondents (48.3 percent) disagreed with the fact that internal audit is considered as a stage in the career development of internal audit staff in the bank as well as

(57.3 percent) of the respondent also disagreed with the fact that internal audit is one stage in the promotion process of internal audit staff in the bank. And, Good win (2001) states that internal auditors who operate in settings with more organizational career opportunities will invest more effort in their work in order to increase their promotion opportunities than those with fewer opportunities for organizational advancement who will invest less effort in their work, resulting in a lower performance level.

As it is clearly stated by Good win and shown in table 9 the auditors in the internal audit process of the bank do not feel that the internal audit is a stage in training, promotion and career advancement which may lead the auditors to invest less effort in their work resulting in a lower performance level that might highly affect the audit effectiveness of the process.

4.2.6.2. Professional competence of Auditors

Table 10 Responses on Professional Competence related Questions

Possible Measures	Strongly Disagree		Disagree		Neither Agree or Disagree		Agree		Strongly Agree		Total	Mean
	Freq	%age	Freq	%age	Freq	%age	Freq	%age	Freq	%age		
The Internal audit process allows internal audit staff to participate in training & development programs which helps them to maintain their skills & keep up to date in the field.	18	20.2	39	43.8	12	13.5	15	16.9	5	5.6	89	2.4382
Internal auditors have necessary education in auditing that allows them to audit all of the bank's systems (Financial, Operational, Logistical & IT System)	13	14.6	54	60.7	9	10.1	11	12.4	2	2.2	89	2.2697
Internal audit staff has relevant skill and experience to risk identification and planning methodology to deliver a high audit service	19	21.3	46	51.7	13	14.6	8	9.0	3	3.4	89	2.2135

Source: SPSS Output from survey Data (2017)

Table 10 shows that Majority of the respondents (60.7 percent) disagreed with the fact that internal auditors have necessary education in auditing that allows them to audit all of the bank's systems (financial, operational, logistical and IT system) as well as (51.7 percent) of the respondent also disagreed with the fact that internal audit staff have relevant skill and experience to risk identification and planning methodology to deliver a high quality audit services. And (43.8 percent) of the respondent disagreed with the fact that internal audit process allows internal audit staff to participate in training and development programs which helps them to maintain their skills and keep up to date in the field.

According (Albrecht et al. 1999, Ratliff 1996) the greater the professional Qualification of the internal auditors in a given department, defined by the length of their professional training, experience and educational level, the greater the effectiveness of this department which is also similarly stated in the guide line of the process. As it is clearly stated by Albrecht et al. and shown above in table 10, the internal audit process is not giving necessary training and development program that could enhance the auditors' skills and experience to audit all the banks systems by preparing proper plan for risk identification so as to deliver high quality audit services to the bank.

4.2.6.3. Quality of Audit Work

Table 11 responses on Quality of Audit work related question

Possible Measures	Strongly Disagree		Disagree		Neither Agree or Disagree		Agree		Strongly Agree		Total	mean
	Freq	%ag e	Freq	%ag e	Fre q	%ag e	Freq	%ag e	Fre q	%ag e		
The internal auditor is able to cover all the bank processes and activities which are very significant to the bank	14	15.7	51	57.3	10	11.2	12	13.5	2	2.2	89	2.2921
The response of auditors to the audit conduct is submitted in writing which is relevant & comprehensive	1	1.1	3	3.4	11	12.4	53	59.6	21	23.6	89	4.0112
The internal audit staff has formal follow-up procedures to ensure whether corrective actions are taken by the auditee as per the agreed plan or not.	1	1.1	5	5.6	10	11.2	53	59.6	20	22.5	89	3.9663
Internal audit staff prepares an effective plan and programs to conduct audit activity for individuals audit assignment	16	18.0	49	55.1	3	3.4	15	16.9	6	6.7	89	2.3933
Internal audit staff conducts audit activities in accordance with the recognized standards (e.g. Institute of Internal Audit (IIA), etc)	13	14.6	45	50.6	8	9.0	19	21.3	4	4.5	89	2.5056

Source: SPSS Output from survey Data (2017)

Table 11 Shows that the majority of the respondents (59.6 percent) agreed that the responses of the auditors are submitted in writing and (59.6 percent) agreed also that the auditors' have formal follow up procedures to check whether the auditors are taking corrective actions to rectify the irregularities found by the auditors as per the agreed plan. However, (57.3 percent) of the respondents said that the internal auditors are not able to cover all the bank's processes; and (50.6 percent) also said that they failed to conduct their audit activity by preparing effective plans and program in accordance with the international standards. This indicates that the quality of the audit work done by the internal auditors of the process is in question as the audit quality is arguably a function of extensive staff expertise; reasonableness of the scope of service; and effective planning and execution the suit works.

4.2.6.4 Organizational Independence of Auditors

Table 12 Responses on Organizational independence related Questions.

Possible Measures	Strongly Disagree		Disagree		Neither Agree or Disagree		Agree		Strongly Agree		Total	mean
	Freq	%age	Freq	%age	Freq	%age	Freq	%age	Freq	%age		
Terminating the work of the internal auditors requires the approval of chief internal auditors	3	3.4	13	14.6	15	16.9	47	52.8	11	12.4	89	3.5618
Internal auditors are allowed to access all necessary information, records, employees, etc, to come to an informed judgment in their audit work	2	2.2	9	10.1	6	6.7	57	64.0	15	16.9	89	3.8315
Internal auditor can audit any issue they consider in need of	2	2.2	17	19.1	4	4.5	59	66.3	7	7.9	89	3.5843

auditing independently												
The internal auditors perform their audit activities free from Management interference.	3	3.4	12	13.5	12	13.5	49	55.1	13	14.6	89	3.6404

Source: SPSS Output from survey Data (2017)

Table 12 Shows that the majority of the respondents (64 percent) said that they had free access to all necessary information, records, employees; (66.3 percent) said that they can audit any issue they consider in need of auditing independently; (55.1 percent) said that they perform their audit activities free of interference from the management; and (52.8 percent) said that the removal of internal auditors from their work or position is always approved by the chief internal auditor.

International standards for the professional practice of internal Auditing (ISPPIA) suggest that organizational independence of internal auditors can be obtained by means of reporting to levels within the organization that allow the internal audit department to perform its responsibilities of free from interference; avoiding conflict of interest; having direct contact with the board and senior management; having unrestricted access to records, employees and department; the appointment and removal off the head of internal audit not being under the direct control of executive management.

As it is suggested by ISPPIA and shown above in Table 12 the internal auditors are currently enjoying organizational independence in their day to day activities of the audit works.

4.2.6.5. Top Management Support

Table 13 Responses on Top Management Support related Questions

Possible Measures	Strongly Disagree		Disagree		Neither Agree or Disagree		Agree		Strongly Agree		Total	mean
	Freq	%age	Freq	%age	Freq	%age	Freq	%age	Freq	%age		
The number of staffs in internal audit is limited given the load of auditing work Planned & needing to be done in the near future.	1	1.1	8	9.0	15	16.9	42	47.2	23	25.8	89	3.8764
Management is not sufficiently aware of the needs of internal audit, as demonstrated by the small budget assigned to the internal audit process	5	5.6	11	12.4	17	19.1	39	43.8	17	19.1	89	3.5843
Management does not provide enough support and encouragement for training and developing the internal audit staff	2	2.2	13	14.6	12	13.5	53	59.6	9	10.1	89	3.6067

Source: SPSS Output from survey Data (2017) Table 13 Shows that Majority of the respondents (47.2 percent) agreed that the number of staff in the internal audit process is not proportionate with the load of auditing work available; (59.6 percent) also agreed that Management is not providing enough support and encouragement for training and developing the internal auditors; and (43.8 percent) further said that management is not sufficiently aware of the need of the internal audit process as it is demonstrated by different factor stated previously. This indicates that the support given by the management towards the internal audit process is not enough which may create dissatisfaction on the internal auditors; which in turn may have its own adverse effect on audit performance of the process in particular and the bank at large.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of major findings

The findings from the questionnaires; due to the effectiveness of internal audit in CBE is as a good quality of independence, internal audit investigation take place of good occurred.

In other words, internal control is a proactive and dynamism and motivation that is required to develop and obtain an effective and efficient working in internal audit control system.

The qualities of internal audit work (i.e. Professional competencies, career and advancement, organizational independence, top management support ...) are good performances.

Some other summary of findings are as follows

- ✓ All internal audit employees of the internal audit department are capable to compute and effectively operating due professional.
- ✓ Quality of the audit work done by the internal auditors of the process.
- ✓ Support given by the top level management towards the internal audit process is not enough
- ✓ The internal auditors are currently enjoying organizational independence in their day to day activities of audit work. (I.e. there is no conflict of interest and direct contact with the board and senior management).
- ✓ The internal audit process is not giving necessary training and development program that could enhance the auditors' skills and experience to audit all the banks systems by preparing proper plan for risk identification.
- ✓ The internal auditors in the internal audit process in general do not have additional required certification that may help the internal auditors to conduct effective audit.
- ✓ The internal audit process has guide line and charter related to their process which is prepared in accordance with international standards. But the guide line lacks periodic revision and detailed steps needed to be followed by the auditors which may have an adverse effect on their audit activities.

5.2. Conclusions

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 Q systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Against this background, it is of utmost importance to assess internal audit effectiveness in order to make the audit services more effective to the auditor's in particular and the bank in general.

This study was aimed at assessing the internal audit effectiveness of audit activity in commercial Bank of Ethiopia by taking sample internal auditors.

- Having standardized guide line which is periodically revised so as to cope up with the current changes that may exist in the field is a corner stone as far as conducting effective audit is concerned. The survey data has shown that majority of the auditors know the guide line is prepared in accordance with the international standards once before three years which is now lacking detailed steps and necessary periodic revisions. It can be concluded that there is positive understanding among the auditors for having standardized guide line which is periodically revised and if successive work are done with this regards probably better results can be registered in producing quality audit work.
- In general from this study, it can be concluded that there is auditors compliance to the guide line of the internal audit process even though there is failure to some extent in having quality assurance and improvement program regularly as stated in the guide line of the process which is one of the pillar factors for producing effective audit.
- From this study it can also concluded that the activities of internal audit process in each of the study units up to how are more traditional type that emphasizes on compliance,

financial, and regularity rather than addressing the value adding type of audit to the bank. Furthermore, it can be concluded that the bank is not such much exposed to major risks as majority of the finding encountered mostly up to now is insignificant and minor findings.

- The survey data also revealed that percent of the internal auditors do not have the additional required certification in internal audit which can enhance their skill and expertise such Certified Audit (CIA), Certified Information System Audit (CISA), Certified Fraud Examiner (CFE) and the Association of Chartered Certified Accountants (ACCA). In addition to this, it can also be concluded that majority of the respondents fell that management of the bank is using inappropriately the audit findings when they want to demote the auditor from his/her position without explaining the rules that they had violated by merely writing letters stating they have been demoted because of the audit reports which is creating dissatisfaction on the part of auditor and internal auditors. To put it in nut shell, currently the internal auditors are hindering the auditors from producing effective audit.
- The study also revealed that there is weakness in previous audit report review by the concerned body which has its own adverse effect on the quality of audit so as to produce effective audit that could add value to the audited in particular and the bank at large.
- The study also examined the effects of career and advancement opportunity of the internal auditors in the internal audit process, professional competence of the internal auditors measured in terms of necessary education, training, experience and professional qualifications, quality of audit work, organizational independence of internal auditors, and top management support towards internal auditors on the effectiveness of audit activity using descriptive methods of analysis.
- From the study, it is confirmed that career and advancement, professional competence, quality of audit work, and top management support towards the internal auditors are variables that are affecting effectiveness of audit activity in the study area. Among the established variables, professional competency (on average percent) followed by quality of audit work (on average percent), top management support (on average percent), and career and advancement opportunity (on average percent) are found to be the most important variables negatively influencing the effectiveness of audit activity in the study

area. On the other hand, it can be concluded that the internal auditors are currently enjoying organizational independence in their day to day activities of the audit works which was constructed as one of the variable to check whether it is influencing the effectiveness of audit activity in the study areas or not.

5.3. Recommendations

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 impact the effectiveness of audit activity can help to develop targeted strategies to ease all these problems.

The following recommendation

- As shown in this study the guide line of the process lacks periodic revision which impedes it to incorporate the new changes that are being published by the institute of internal auditors (IIA's). it is better that the organization prepare guide line in accordance with the international standards and also customizing the guide line to current existing system making it to contain more detailed steps that are convenient for conducting effective audit.
- High quality audit work is arguably the function of effective guide and extensive staff expertise; periodic reviews of the internal audit activities by CIAs or other competent audit professionals; the internal audit process have to try its utmost effort to revise the existing guide line in a manner to assist the auditors by incorporating the necessary detailed step and by make use of the above mentioned facts for conducting effective audit of high quality for the auditees.

- The internal Audit process should have appropriate program for training developing the internal auditors, giving an opportunity for continuing education and certification in CIA, CISA, CFE and ACCA so as to produce effective audit
- Effective audit can be produced if internal auditors have more organizational career opportunity for promotion and training in the internal audit processes so the organization needs to make available the career and advancement opportunity for the internal auditors.

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Section II. Questions Related to Guide Line and charter of Internal Audit process.

5. Do you have a guideline and charter related to Internal audit Process?

1. Yes 2. No 3. Do not know

6. Do you think the charter of the process is prepared in a manner to assist internal audit process to fulfill its mission and in turn assist CBE in achieving strategic objectives?

1. Yes 2.No 3.Do not know

7. Do you think the quid line of the process is up to date and convenient for conducting audit activity effectively?

1. Yes 2. No 3. Do not know

8. Does the quid line contain detailed steps to be followed by the auditors to conduct audit activity?

1. Yes 2. No 3. Do not know

9. Does the quid line of the internal audit process comply with international standards for the professional practices of internal auditing published by the institute of internal Auditors?

1. Yes 2. No 3.Do not Know

10. Do internal auditors avoid activities that could undermine their objectivity?

1. Yes 2. No 3. Do not know

11. Does a rule exist to ensure that auditors cannot audit operations for which they previously had been responsible?

1. Yes 2. No 3. Do not know

12. Do quality assurance & improvement programs being conducted regularly as stated in the guide line of the process?

1. Yes 2. No 3. Do not know

13. Does internal auditors started using computer assisted audit techniques (CAATs) to test the total population?

1. Yes 2. No 3. Do not know

14. Do internal auditors conduct an exit and entry conference with the auditor?

1. Yes 2. No 3. Do not know

15. Which type of audit do you conduct very often? (Please rank them from 1 to 4)

Financial audit

Operational Performance audit

Information System audit

Compliance audit

16. Which types of audit findings do you encountered very often up to how while conducting audit activity (please rank them from 1 to 3)

Insignificant findings

Minor findings

Major Findings

17. Which type of additional certification do you have from the given option? (Please make a thick mark on your right choice)

Certified Internal Auditor (CIA)

Certified Information System Auditor (CISA)

Certified Fraud Examiner (GFE)

The Association of chartered Certified Accountants (ACCA)

Section III: Questions related to Internal audit practices

	Please put a thick mark (☑) for each questions from the applicable options:- ☐ Question related to career & Advancement	Strongly Disagree	Disagree	Neither Agree or Disagree	Agree	Strongly Agree
18	Internal audit is one stage in training & preparing internal audit stall in the bank					

19	Internal audit is one stage in the promotion process of internal audit staff in the bank					
20	Internal audit is considered as a stage in the career development of internal audit staff in the bank					
	Question related to professional Proficiency					
21	The Internal audit process allows internal audit staff to participate in training & development programs which helps them to maintain their skills & keep p to date in the field.					
22	Internal auditors have necessary education in auditing that allows them to audit all of the bank's systems (Financial, Operational, Logistical & IT System)					
23	Internal audit staff has relevant skill and experience to risk identification and planning methodology to deliver a high quality audit services					
24	The internal auditor is able to cover all the bank processes and activities which are very					

	significant to the bank					
25	The response of auditors to the audit conduct is submitted in writing which is relevant & comprehensive					

	Please put a thick mark (☐) for each questions from the applicable options:- <input type="checkbox"/> Question related to quality of audit work	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
	<input type="checkbox"/> Questions related to organizational Independence					
	Please put a thick mark (☐) for each questions from the applicable options:- Question related to Top level management support					
26	The internal audit staff has formal follow-up procedures to ensure whether corrective actions are taken by the auditee as per the agreed plan or not.					
27	Internal audit staff prepares an effective plan and programs to conduct audit activity for individuals audit assignment					
28	Internal audit staff conducts audit activities in accordance					

	with the recognized standards (e.g. Institute of Internal Audit (IIA), etc)					
29	Terminating the work of the internal auditors requires the approval of chief internal auditors					
30	Internal auditors are allowed to access all necessary information, records, employees, etc, to come to an informed judgment in their audit work					
31	The internal auditors perform their audit activities free from Management interference.					
32	The number of staffs in internal audit is limited given the amount of auditing work Planned & needing to be done in the near future.					
33	Management is not sufficiently aware of the needs of internal audit, as demonstrated by the small budget assigned to the internal audit process					
34	Management does not provide enough support and encouragement for training and developing the internal audit staff					