



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

**Role of Internal Audit in Organizational Goal  
Achievement: The case of Addis Ababa City  
Government Revenue Authority**

**By: Frezer Gezahegn**

**ID. No:SGS/0077/2009B**

**Advisor: Simon T.(Assistant Prof.)**

**A Thesis Submitted School of Graduate Studies of St. Mary's  
University in Partial fulfillment of the Requirements for  
MBA Degree in Accounting and Finance.**

**June, 2020  
Addis Ababa, Ethiopia**

## **Declarations**

I, Frezer Gezahegn, do declare this thesis is my own original work and that it has not been presented and will not be presented to any other University for a similar or any other degree award.

Name: Frezer Gezahegn

Signature: -----

Date: -----

# CERTIFICATION

St. Mary's University  
School Of Graduate Studies  
MBA in Accounting and Finance

## APPROVAL

We, the undersigned, certify that we have read and hereby recommend for acceptance by the St. Mary University, a thesis titled "Role of Internal Audit in Organizational Goal Achievement: The case of Addis Ababa City Government Revenue Authority" in Partial fulfillment of the Requirements for MBA Degree in Accounting and Finance.

---

Dean, Graduate Studies

Simon T.



---

Advisor

Misraku Molla



---

External Examiner

Abrham G/giorgis



---

Internal Examiner

## **Acknowledgements**

First of all I am grateful to my advisor Assistant Professor Simon Tarekegn for his enormous time and energy in assisting and suggesting. And I would like to express my deep appreciation to those who have helped me through this demanding and challenging journey. Thank you for motivating and guiding to complete this research.

Finally, I express my gratitude to my parent who has made many sacrifices for me.

## **Abstract**

*The study aimed at describing the role of internal auditors in Organizational Goal Achievement: The case of Addis Ababa City Government Revenue Authority. The study employed quantitative method and the research design was descriptive. The number of participants included was 46 as the study was survey related questionnaires were distributed to participants selected for the study. The methods used to analyze the data collected were using descriptive statistics, frequency and percentages. Results of the implied that the scope and functions Internal Audit, Internal audit as a mechanism of internal control and the existence of internal audit for risk assessment was found important for wise use of resources, proper application of established procedures which have a direct linkage to the organizational goal achievement. Its role made the revenue authority's overall operational activities effective and efficient important for its goal achievement. Besides, it was recommendthat forexercising and application of audit techniques, implementation of appropriate retention mechanisms experienced internal auditors and adequate training on the techniques and roles of internal audit should better be provided.*

**Key Words:** Internal Audit, Role, Goal Achievement, Internal Control, Risk Management and Auditing Standards.

# Table of Contents

Declarations .....	i
CERTIFICATION.....	ii
Acknowledgements.....	iii
Abstract.....	iv
Table of Contents.....	v
List of Tables .....	vii
List of Figures .....	viii
List of Acronyms /Abbreviations.....	ix
CHAPTER ONE: INTRODUCTION .....	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem .....	3
1.3. Basic Research Questions .....	4
1.4. Objectives of the Study.....	5
1.4.1. Objectives of the Study .....	5
1.4.2. Specific Objectives of the Study .....	5
1.5. Significance of the Study.....	5
1.6. Scope of the Study .....	5
1.7. Definition of Terms .....	6
1.8. Limitation of the Study .....	6
1.9. Organization of the Study .....	6
CHAPTER TWO: LITERATURE REVIEW .....	7
2.1. Auditing in General .....	7
2.1.1 The Concept of Internal Audit .....	7
2.2. Theoretical Literatures.....	8
2.2.1 The Demand for of Internal Audit .....	8
2.2.2 Roles and Responsibilities of Internal Auditors.....	9
2.2.3 Internal Control and Internal Audit.....	10
2.2.4 Internal Audit in Risk Management.....	11
2.2.5 Effectiveness of Internal Audit .....	12
2.2.6 The Audit Committee .....	12
2.2.7 Organizational Goals .....	13
2.2.8 Link between Internal Audit and Organizational Goals .....	13

2.2.9	Challenges of Internal Audit .....	14
2.2.10	Internal Audit Code of Ethics .....	14
2.3.	Empirical Literature Review .....	16
2.4.	Summary of the Review .....	17
CHAPTER THREE: RESEARCH METHODOLOGY .....		19
3.1.	Research Design .....	19
3.2.	Research Approach .....	19
3.3.	Target Population and Sampling Design .....	19
3.3.1	Sampling Technique and Sample Size .....	20
3.3.2	Sampling Procedures .....	21
3.3.3	Data Type and Data Collection Instruments .....	22
3.4.	Data Analysis .....	22
3.5.	Ethical Considerations.....	22
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION .....		23
4.1	Introduction .....	23
4.2	Demographic Characteristics .....	23
4.3	Descriptive Results .....	25
4.4	Discussion of Study Findings .....	40
4.5	Summary of Major Findings .....	46
CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS .....		50
5.1	Conclusion.....	50
5.2	Recommendations .....	51
	References .....	53
	Annex: Instrument .....	56

## List of Tables

Table 01: Target population of the Study Area	20
Table 02: Sampled Branches	21
Table 03: Participants' background information	23
Table 04: Participants' position and experience	24
Table 05: Internal Audit qualification and experiences	25
Table 06: Role of Internal Audit	26
Table 07: Annual audit plan of Internal Audit	27
Table 08: Members and structures of Internal Audit	28
Table 09: Subject and purpose of internal audit	29
Table 10: Issuance of guidance and standards for clarity	30
Table 11: Need for internal audit	31
Table 12: Audit and Inspection contribution in goal achievement	32
Table 13: Role of IA and responsibility for implementing recommendation	33
Table 14: Reporting Structure for implementation of recommendation	35
Table 15: Items related to risk assessment	35
Table 16: Risk assessment related variables	37
Table 17: Internal audit objective during auditing	38
Table 18: Expectations from auditing	39
Table 19: IA contributions for goal achievement	40



## **List of Figures**

Figure 01: weakness in exercising the Audit Techniques.....	31
Figure 02: Reporting Audit Findings and Recommendations.....	34
Figure 03: Nature of Internal Audit works .....	39

## **List of Acronyms /Abbreviations**

GAAS = Generally Accepted Audit Standards

GAAP = Generally Accepted Accounting Principles

IA = Internal Audit

IIA = Institute of Internal Audit

MoFED = Ministry of Finance and Economic Development

LTO = Large Tax Payers

RA = Revenue Authority

SPSS = Statistical Package for social Science

# CHAPTER ONE: INTRODUCTION

## 1.1. Background of the Study

Goal achievement is a means for organizations to survive in the competitive environment. Hence, organizations use different mechanism to help them achieve their specified goals. Internal audit is found increasingly important for organizations as Muhammad(2016) suggested that internal audit deals with issues that are fundamentally important to the survival and prosperity of any organization. Saud (2015) also strengthen that internal auditing has undergone dramatic changes and has expended its scope to make greater contribution to the organization goals. As a result, the definition of internal audit according to IIA (2017) indicated that it is 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 processes.

The functions of Internal auditors are to monitor and review whether risks have been adequately identified and included in the risk register, monitor the adequacy and effectiveness of the control measures in place and make recommendations(Griffiths, 2005), which made the benefits that may be derived in establishing internal audit are numerous (Badara, 2012).Among which Ali (2017) emphasized that internal auditors play a key role in monitoring a company's risk profile and identifying the areas to improve risk management. It was also identified that the role of internal auditing in the review of effectiveness of the internal control system is to find out whether the internal control system is functioning well as it is intended to do (Saud, 2015). Internal audit according to Ali (2017) described that it is best regarded as indicating the whole system of controls, financial and otherwise, established by the management in the conduct of business, including internal check, internal audit and other forms of control. Vijayakumar and Nagaraja (2012) as cited in Badara and Saidin (2013) showed that effective internal audit system helps in achieving performance, profitability and prevents in loss of revenues particularly in public sectors. Badara and

Saidin (2013) added that an effective internal auditor is the one who assist his organization in meeting their objectives.

The specific role of internal audit activities varies from organization to organization based on factors such as organizational size, type of operations, capital structure, and the legal and regulatory environment (Jameson, 2011). This indicated that auditing demands specific audit techniques which hinder internal audit contribution to organizational goal achievement. Studies conducted by Motubatse, Barac and Odendaal (2015) suggested that auditing the public sector environment can be a complex experience, due to the many policies and legislative frameworks saturating the field. In addition, the major challenges facing internal audit were also identified that lack of business knowledge; lack of management support; lack of audit action monitoring processes, and external auditors' preference not to rely on the work of the internal audit function. Jameson (2011) also suggested that internal auditors face many challenges and opportunities, including increasingly complex and pervasive use of technology, a need for new and ever-changing skills, flattening organizational structures, and demand for an expanding scope of services, and increasing competition and globalization.

A study result conducted by Mihret (2010) tried to explore association of internal audit effectiveness with company performance using Marx's theory of the circuit of industrial capital that internal audit effectiveness, as measured by internal audit proficiency, internal audit independence and objectivity, scope of internal audit work, quality of internal audit planning and execution, and quality of internal audit reporting and follow up, is significantly associated with a set of organization-level context factors. However, the role of internal audit beyond its affecting factors of effectiveness need to describe its contribution to organizational goal achievement.

Hence, to investigating the role of internal audit in organizational goal achievement in the context of Addis Abba City government revenue authority, taking its pillared goal attainment as a result of its consideration in the internal audit function is therefore aimed to investigate in this study.

## **1.2. Statement of the Problem**

Internal audit saves organizations money, protects reputations, and paves the way to success and at its simplest, internal audit identifies the risks that could keep an organization from achieving its goals, alerts leaders to these risks, and proactively recommends improvements to help reduce the risks (IIA, 2017). In addition, the IIA (2016) also indicated that Internal auditors can save their organization substantial amounts of money and protect its reputation in the marketplace by identifying operating inefficiencies, wasteful spending, employee theft, fraud, and cases of noncompliance with laws or regulations. This implies that internal audit is alert to trace out deviations in the functions that organizations accomplish to achieve their specified goals. To ensure wise use of resources organizations establish systems of internal control. The importance of establishing internal control, Dahirand Omar (2016) explained that it helps to achieve performance and organizational goals, prevent loss of resources, enable production of reliable reports and ensure compliance with laws and regulations.

This implied that internal audit uses such system as an indication against which whether there is deviations from the established system or not. The importance of internal control according to Dahirand Omar (2016) also implied that they are a set of policies and procedures adopted by an entity in ensuring that an organization's transactions are processed in the appropriate manner to avoid waste, theft and misuse of organization resources, which this helps to ensure attainment of the entity's objectives, goals and missions. The task that internal audit is required to accomplish is then comes as Saud (2015) suggested that the role of internal auditing in the review of effectiveness of the internal control system is to find outwhether the internal control system is functioning well as it is intended to do.

The effectiveness of internal audit will definitely benefits the management of the organization effectively in their objective achievement (Badara and Saidin, 2013). In addition, Ali (2017) stressed that internal audit has become an indispensable management tool for achieving effective control by detecting the weaknesses in management operations. However, there is a constant complain in the sector is that internal audit is too understaffed and under resourced generally to be fully

effective and there exist a lot of arrears of work due to inadequate staffing of Internal Audit (Ozuomba, Nwadior and Ifureze, 2016). The biggest challenges facing the internal audit were Motubatse, Barac and Odendaal (2015) identified as the lack of business knowledge; lack of management support; lack of audit action monitoring processes, and external auditors' preference not to rely on the work of the internal audit function. Studies in internal audit effectiveness in Ethiopian context indicated that independence of internal audit and competence of internal audit team has statistically insignificant relation (Ayele, 2019). Hailemariam (2014) also found that the contributions of management's perception for the internal audit value and the organizational independence of internal auditors with internal audit effectiveness were not statistically significant.

In addition, the internal audit is given due attention in the revenue authority, however, its function is not evaluated in relation to the goal achievements and this study was conducted due to this deep interest in the area under study. Hence, the purpose of this study is to investigate the role of internal audit in organizational goal achievements. The study therefore was focused at Addis Ababa city government revenue authority internal audit departments as a function of the established pillars that help attain stated goals in the context of revenue authority, Addis Ababa city government.

### **1.3. Basic Research Questions**

This study is intended to answer the following research questions. These are;

1. What is the scope and priorities of internal audit functions in Addis Ababa city Government Revenue Authority?
2. Is internal control a mechanism to achieve organizational goals in the revenue authority?
3. What is the effect of internal audit existence to the overall risk management process?

## **1.4. Objectives of the Study**

### **1.4.1. Objectives of the Study**

This study mainly focused at analyzing the roles of internal audit in organizational goal achievement at Addis Ababa City Government Revenue Authority.

### **1.4.2. Specific Objectives of the Study**

The study had the following specific research objectives:

1. To understand the scope and prioritized functions of internal audit and the level of revenue authority's goal achievement.
2. To describe whether the system of internal control is a mechanism for achieving the revenue authority's goal.
3. To evaluate the effect of internal audit's role in the overall risk management process.

## **1.5. Significance of the Study**

The aim for which this study was conducted were investigate the roles of internal auditors in organizational goal achievement. Hence, results of this study were believed important for internal auditors to indicate how their functions should be geared to contribute for the overall organizational goal achievements. It will also be significant for governmental organizations to give due attentions due to the valuable contributions of internal audit in accomplishing specified goals. Government officials will be well informed about the functions of internal audit for wise use of resources and in risk management process that the organization might face. The study will also be important for the internal audit for developing professional communities to create sense of professionalism in the area of internal auditing.

## **1.6. Scope of the Study**

The study aimed at investigating the roles of internal audit at Addis Ababa city Government Revenue Authority. The study is then only focused at Addis Ababa City Government revenue authority, its selected branch offices and also the method used to study this research was using descriptive study method. In this regard, results of the

study were undertaken only using descriptive method and believed multiple data analysis method had importance and also the study was in situation of Addis Ababa governments' offices and its contribution beyond this scope.

## 1.7. Definition of Terms

- **Role:** indicated the well-resourced and independent internal audit function is uniquely positioned inside organizations to provide objective assurance on the risks that matter most (IIA, 2017). An activity performed by internal audit.
- **Goal:** the object of one's effort, a target (Crowther, 1995).
- **Achievement:** a thing done successfully, especially with efforts and skills, the actions or process of achieving something (Crowther, 1995).

## 1.8. Limitation of the Study

In this study were participants included only from Addis Ababa city government revenue authority and believed that inclusions from regional tax authorities and from federal tax authorities might strengthen the study results and in addition inclusions of other budgetary governmental organizations might also add importance to describe the role of internal auditors in organizational goal achievement.

## 1.9. Organization of the Study

This study was organized into 5 chapters.

Chapter one – was provided background to the study, statement of the problem, objective of the study, significance of the study, scope of the study and definition of terms.

- Chapter two – review of related literature was discussed and framed.
- Chapter three – were focused on Research methods which include, design of the study, sampling techniques and sample size, sampling procedure, data collection instrument data analysis and ethical considerations.
- Chapters four – results of the study presented in this chapter. And,
- Chapter five – includes conclusion and recommendations. Besides, list of References and Annexes will also be attached.



## **CHAPTER TWO: LITERATURE REVIEW**

*In this chapter previous studies related to internal audit will be reviewed to understand about the knowledge in the area of internal audit, its importance and drawbacks which help to related with the current study result. It's also important for identifying this study results with the existing knowledge about internal audit.*

### **2.1. Auditing in General**

In a generic sense auditing involves a critical examination and verification of accounts and other performance processes for the purpose of ascertaining the true and correct positions and results of operations of organizations private or public (MoFED, 2005). Auditing according to Hayes, Dassen, Schilder and Wallage (2005) also defined as a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between these assertions and established criteria, and communicating the results to interested users.

#### **2.1.1 The Concept of Internal Audit**

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 processes (IIA, 2017).

- Independence refers to the state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism (IFAC as cited in Soltani 2007, p. 192).
- Objectivity according to Soltani (2007, pp. 586 - 587) indicated that a bias-free state of mind that all auditors should endeavor to provide reliable opinions.

As a result, Internal audit according to (Muhammad, 2016), it is an increasing useful and important function for every organization. It is distinguished from many other internal assurance providers by virtue of a requirement to comply with professional standards and a code of ethics that demand independence and objectivity (Jameson, 2011).

## **2.2. Theoretical Literatures**

### **2.2.1 The Demand for of Internal Audit**

The demand for both external and internal auditing is sourced in the need to have some means of independent verification to reduce record-keeping errors, asset misappropriation, and fraud within business and nonbusiness organizations (Ramamoorti, 2003). According to MoFED (2005) described that historical evidences revealed that ancient kings and rich noblemen appointed some of their trusted officials to exercise checks on the people whom they put in charge of collecting and safekeeping revenues from their estates and to report to them in the event of any irregularities. IIA (2012) also explained that in its earliest origins auditing verified the existence of assets. Over time, auditing shifted from a detailed focus on confirming or validating individual transactions to evaluating the effectiveness of systems that control transactions. The rapid development and sophistication of business, government services and the development of statutory audit brought about strengthened demand on management and board to ensure that assets are properly safeguarded, results are consistent with established objectives, programs and operational goals are achieved as planned (MoFED, 2005). As business activities grew in size, scope, and complexity, a critical need for a separate internal assurance function that would verify the (accounting) information used for decision-making by management emerged (Ramamoorti, 2003).

As a result, internal audit has become an indispensable management tool for achieving effective control by detecting the weaknesses in management operations (Ali, 2017) which Ramamoorti (2003) also implied that management needed some means of evaluating not only the efficiency of work performed for the business

but also the honesty of its employees. The current status of Internal audit can add value by providing advisory and consulting services, intended to improve governance, risk management, and control processes, so long as internal audit assumes no management responsibility (IIA, 2018). Accordingly, Saud and Marchand (2012) remarked that an internal audit contributes (indirectly) in the achievement of organization objectives and can also improve organization's efficiency which IIA (2016) also stressed that internal auditing involves identifying the risks that could keep an organization from achieving its goals, making sure the organization's leaders know about these risks, and proactively recommending improvements to help reduce the risks.

### **2.2.2 Roles and Responsibilities of Internal Auditors**

The major objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed (Ramamoorti, 2003).

#### **A. Internal Auditor Role**

The primary role of Internal Audit is to complement the organizations' Risk Management strategies (University of Sydney, 2016). The role of internal auditors in a broader context,

IIA (2016) identified that internal auditors are explorers, analysts, problem-solvers, reporters, trusted advisor, and also bring objectivity and a variety of skills and expertise to the organization. Ali (2017) also described that internal auditors play a key role in monitoring a company's risk profile and identifying the areas to improve risk management. Saud (2015) also strengthen that the role of internal auditing in the review of effectiveness of the internal control system is to find out whether the internal control system is functioning well as it is intended to do. Saud (2015) added that internal auditing is also performing its role in diverse cultural and legal environments within different organizations; which varies in size, structure, purpose and also in persons.

## **B. Responsibilities of Internal Auditors**

On the other hand, the sources of internal audit responsibilities were also emanated to attain the purpose which Saud (2015) revealed that the purpose of the appraisal of the adequacy of the internal auditing is to find out whether the recognized system provides reasonable assurance that the organization's objectives and goals will be met efficiently and reasonably. Badara and Saidin (2013) explained that the primary responsibility for the prevention and detection of fraud and other irregularities rests with the management of the audited bodies. It implied that the establishment of adequate internal control system in an organization is its management. The internal audit is responsible for the audit of all financial transactions by carrying out a continuous examination of all accounting books and records maintained in the organization with a view to checking or detecting fraud and correcting errors (Badara, 2012). Jameson (2011) also added that the particular role of the internal audit activity in an organization determines the appropriate structure of responsibilities and reporting level as well as the degree of reliance that should be placed on the assurance and consulting services provided. Thus, IIA (2018) suggested that internal audit provides assurance by assessing and reporting on the effectiveness of governance, risk management, and control processes designed to help the organization achieve strategic, operational, financial, and compliance objectives. Internal auditors are also responsible to review, evaluate and report on the adequacy or otherwise of financial control framework existing in the agency and its efficiency in assuring property, prudence, completeness and accuracy of the agency's activities and transactions (Ozuomba, Nwadiolor, & Ifureze (2016).

### **2.2.3 Internal Control and Internal Audit**

Internal controls according to Dahir and Omar (2016) refer to the measures instituted by an organization so as to ensure attainment of the entity's objectives, goals and missions. Such system is effective if the administrative management direct the system in such a way which provides reasonable assurance that the organization's goals and objectives will be achieved (Saud, 2015). This is because Dahir and Omar (2016) implied that internal control systems are a set of policies and procedures adopted by an entity in ensuring that an organization's

transactions are processed in the appropriate manner to avoid waste, theft and misuse of organization resources. Saud and Marchand (2012) further suggested that internal audit is one of the essential mechanisms of the internal control system. They also elaborated that internal audit is an evaluation function available to an organization to examine and appreciate the proper functioning, consistency and effectiveness of its internal control. The detailed use of internal control system according to Mire (2016) implied that it comprised all policies and actions that were established by management to support management goals, including adhering to management policies, maintaining the integrity of assets, preventing and discovering criminal acts and mistakes, accurateness and completeness of accounting records and timely presentation of reliable financial information.

#### **2.2.4 Internal Audit in Risk Management**

Now a days business operate in the fast, competitive and ever-changing environment and their success is based on the ability to adapt to the environmental changes, to fulfill organizational objectives and to manage risks as the business landscape evolves every day (Bubilek, 2017). Thus, risk assessment is as a component of internal control, plays a key role in the selection of the appropriate control activities to undertake and is a process of identifying and analyzing relevant risks to the achievement of the entity's objectives and determining the appropriate response (Mire, 2016). The most valuable and effective internal auditors stay abreast of business trends, constantly cast their eyes to the horizon to scan for signs of trouble, and are able to anticipate future challenges and risks (IIA, 2016). The IIA (2017) also strengthen that internal auditors are fully vested in the organization's successes, and their concern is to cover all organizational operations on a continuous basis.

As a result, senior management and the board increased their reliance on the internal audit to improve the organization's operation and to systematically evaluate the management or organizational risks, controls and governance processes which are essential factors in the achievement of objectives (MoFED, 2005). In this regard, Mire (2016) indicated that control activities such as performance reviews, information processing, physical controls, and segregation

of duties are implemented by management to ensure accomplishment of organizational objectives and the mitigations of risk. In addition, Saud (2015) explained that internal auditors play a basic role not only in risk management but also providing consultants and assurance services to the executives.

### **2.2.5 Effectiveness of Internal Audit**

Internal auditors are revisiting their methods, processes, practices, capabilities and technology support to enhance efficiencies and effectiveness (Aksoy&Kahyaoglu, 2013). Contributions of Internal audit according to Saud (2015) is to assist the management of an organization by giving valuable recommendations on weak areas in order to enhance overall effectiveness and efficiency of company's operations. Badara and Saidin (2013) also implied that an effective internal auditor is the one who assist his organization in meeting their objectives; therefore, public sector organizations should ensure that their internal audit is effective so as to create value and effectiveness in such organization. Ozuomba, Nwadiakor and Ifureze (2016) further strengthen that the internal auditor ensures adherence to all financial, personnel, lending, data processing, the other administrative policy and procedure as well as the economy, efficiency and effectiveness with which resources are used. However, IIA (2018) suggested that by maintaining its independence, internal audit can perform its assessments objectively, providing management and the board an informed and unbiased critique of governance processes, risk management, and internal control. Hence, internal audit is important to test the effectiveness and suitability of a particular aspect of internal control (Saud &Marchand, 2012).

### **2.2.6 The Audit Committee**

Audit Committees are important for the proper functioning of internal audit in an organization for internal audit to add value to organization, IIA (2016) revealed as that the audit committee, in concert with executive management, can play a critical role in empowering and elevating the image of the internal audit activity, ensuring that it is not misunderstanding. Audit committees according to IIA (2018) also ensure that audit results are aired and any recommended

improvements or corrective actions are addressed or resolved. Ideally, internal audit should report functionally to the board or audit committee and administratively to management.

### **2.2.7 Organizational Goals**

An essential condition for the survival of a company or more generally of an organization lies on the ability of its members to act reliably and efficiently to achieve the objectives of the organization (Saud & Marchand, 2012). Accordingly, MoFED (2005) emphasized that the modern internal auditor seeks to add value by laying emphasis on improving procedures and policies through reduced costs, increased bottom line and better services to users. Hence, for survival, IIA (2017) pointed out that internal audit focuses on the complete health of the organization, which includes serving the overall needs of the organization, focusing on present and future events of the organization, and ensuring the accomplishment of goals and objectives. Saud and Marchand (2012) implied that the objectives are vary; may want to become the largest company in the world or to remain a successful specialized business, or even be best able to achieve the goals it has set. This is because Jameson (2011) described that internal audit inspires organizational confidence and enables competent and informed decision making and also can mature to provide foresight to the organization by identifying trends and bringing attention to emerging challenges before they become crises.

### **2.2.8 Link between Internal Audit and Organizational Goals**

Internal auditor as a business partner expected to provide expertise to assist an organization to meet its goals; and as a policeman, internal auditor is looking for weakness and flaws in the internal control system (Saud, 2015). Internal auditors according to IIA (2016) suggested that they are keys to an organization's success, they review the organization's processes, operations, and goals and they also provide objective, professional advice to all levels of management and pave the path toward continuous improvement. Internal audit helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and

governance processes (Whittington and Pany (2016). Saud (2015) also strengthen that there is currently considerable interest in the topic of internal audit and its contribution to the organization goals of which internal auditing could be used as mechanisms of risk management, corporate governance and internal control.

It is also indicated that internal auditor must ensure that all services contribute to organizational performance (Buregeya, 2007). Ramamoorti (2003) importantly explained that internal auditor has a more vital interest in all types of company operations and is quite naturally more deeply interested in helping to make those operations as profitable as possible. This is because Internal audit provides assurance by assessing and reporting on the effectiveness of governance, risk management, and control processes designed to help the organization achieve strategic, operational, financial, and compliance objectives (IIA, 2018). The basic functions of internal audit in an organization is as Mire (2016) suggested that the control activities are the instructions, rules, methods and decisions established over various activities by management to prevent or reduce risks that affect the organization in achieving its objectives.

### **2.2.9 Challenges of Internal Audit**

Internal auditors face challenges to their judgment and to their core ethical values. How they handle those challenges determines the value of the profession (Rittenberg, 2015). The challenges that internal audit are facing according to Kapula (2014) indicated that public servant have negative attitude and feeling against the audit practice in their organization and also lack of cooperation from peers, negative attitude, and dislike from majority of public servants – whose effects tend to result in the scenario, whereby, audit practice lacks essential information required for it to issue reliable and effective report.

### **2.2.10 Internal Audit Code of Ethics**

Saud & Marchand (2012) identified that business performance is a major concern these days due to importance of the global competition, one factor of this performance lies on the ethical and responsible behavior of its performers. IIA (2016) also indicated that competent internal auditors follow the profession's



internationally accepted code of ethics and standards for professional practice. The basic and essential components of ethical code according to IIA (2012) are summarized as follows:

**a. Principles** – that are relevant to the profession and practice of internal auditing;

- Integrity- establishes trust and thus provides basis for reliance on their judgment.
- Objectivity- exhibit the professional objectivity in gathering, evaluating and communicating information about the activity or process being examined, not unduly influenced by their own interests or by others in forming judgments.
- Confidentiality- respects the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- Competency - apply the knowledge, skills and experience needed in the performance of internal auditing services.

**b. Rules of Conduct** – describe behavioral norms expected of internal auditors.

- Integrity- Internal auditors:
  - perform their work with honesty, diligence and responsibility;
  - observe the law and make disclosures expected by the law and the profession;
  - shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization; and
  - Respect and contribute to the legitimate and ethical objectives of the organization.
- Objectivity- Internal auditors:
  - Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment.
  - shall not accept anything that may impair or be presumed to impair their professional judgment; and
  - Disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
- Confidentiality- Internal auditors:

- prudent in the use and protection of information acquired in the course of their duties; and
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.
- Competency- Internal auditors:
  - shall engage only in those services for which they have the necessary knowledge, skills and experience;
  - shall perform internal auditing services in accordance with the Government Internal Audit Standards, incorporating the International Standards for the Professional Practice of Internal Auditing; and
  - Shall continually improve their proficiency and the effectiveness and quality of their services.

### **2.3. Empirical Literature Review**

It is repeatedly noted in many studies that Internal audit is the only instrument used to check whether the internal control system established is reasonable to achieve organizational objectives, among which some empirical studies were presented as follows:

Buregeya (2007) conducted a research on the role of internal auditing in the organizational performance in the Rwanda Revenue Authority. The study incorporated mixed research methods and results of the study indicated that almost all the respondents agreed on the importance of the role played by internal audit in improving the Rwanda revenue authority performance.

A study by Musyoka(2016) on the factors that influence organizational performance in the hospitality industry inSankara Nairobi also indicated that a survey design from a population 300 employees, only 36 were taken as participants and found that there were strong relationships between the shared values, employee skill set and information technology systems and performance.

A study result conducted by Puttikunsakon(2015) on best internal audit practices and achieving organizational success in Thailand implied that data were collected

by a questionnaire survey from the 1,187 internal audit executive of each ISO 9000 manufacturing firm and 186 responses are returned completely. The results indicate that best internal audit practices clarity positively relates to organizational risk reduction, operational excellence and fraud detect effectiveness and also the external environment change and audit committee competency has the positive effect on the best internal audit practices, particular internal audit plan, internal audit review and internal audit monitoring.

Ayele(2019) study a research entitled determinants of Internal Audit Effectiveness in Ethiopia on some selected budgetary public sectors using mixed research method. Results of this study indicated that the study internal audit work quality and management supports have statistically significant positive relation with the effectiveness of internal audit and independence of internal audit & competence of internal audit team have statistically insignificant relation with the effectiveness of internal audit.

A study by Ali(2017) on the impact of internal audit on organizational performance of which data have been collected through questionnaires and analyzed with the help of multiple linear regression taking Internal audit independent variable whereas organizational performance is the dependent variable and results of such analysis revealed that there is a significant impact of internal audit on the organizational performance in companies under study.

## **2.4. Summary of the Review**

Internal auditing is considered as a value adding function that improves organization's operations which are important to improve the effectiveness of risk management, control, and governance processes. Internal audit as a discipline is guide by its own standards and principles. Recently, auditing has shifted to serve the demand in business and technology, that is, as business activities grew in size, scope, and complexity, a critical need for a separate internal assurance function that would verify the accounting information used for decision-making by management emerged.

The role of internal audit is also considered in terms of management tool for achieving effective control by detecting the weaknesses in management operations. Internal control which is established by management to ensure attainment of the entity's objectives, goals and missions and internal audit is one of the essential mechanisms of the internal control system. It is also elaborated that internal audit is an evaluation function available to an organization to examine and appreciate the proper functioning, consistency and effectiveness of its internal control. In addition, internal auditors are to assist the management of an organization by giving valuable recommendations on weak areas in order to enhance overall effectiveness and efficiency of company's operations. The internal auditor ensures adherence to all financial, personnel, lending, data processing, the other administrative policy and procedure as well as the economy, efficiency and effectiveness with which resources are used. To strengthen the role of internal audit, audit committee are established as a supportive and found that they are important for the proper functioning of internal audit in an organization for internal audit to add value to organization.

To sum up, internal audit focuses on the complete health of the organization which includes serving the overall needs of the organization, focusing on present and future events of the organization, and ensuring the accomplishment of goals and objectives. It is emphasized that internal auditor are keys to an organization's success, they review the organization's processes, operations, and goals and they also provide objective, professional advice to all levels of management and pave the path toward continuous improvement, as mechanisms of risk management, corporate governance and internal control.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1. Research Design**

Descriptive research design was used to assess and describe the status of internal auditors in relation to their function and contribution in the authority's the goal achievements. The design used Accordingly, 1) Internal auditors directorate, 2) Planning and budget preparation, follow up and evaluation directorate and 3) Finance and property administration directorate was included from the Addis Ababa city government revenue authority. Hence, descriptive research design was employed to answer the research objectives. Primary data (structured questionnaire) and secondary data (document analysis) sources was used to describe the role of internal audit in the authority's goal achievement.

### **3.2. Research Approach**

In this study quantitative research approach was employed. As a result, the positivist assumption which implies as Zemichael&Basazine (2010) suggested that positivism probably adopts the philosophical stand of natural scientist, that is the way of seeing reality objectively since the researcher interprets the data collected in an apparently value free manner in relation to the functions of internal audit related standards, principles of auditing, and the procedures used to conduct made the data an objective and the goal achievements related issues was also quantifiable through numbers. Therefore, the quantitative approach was an appropriate to study the organizational goal achievements through the nature of measurable date.

### **3.3. Target Population and Sampling Design**

The study area which this study was conducted within the boundary of Addis Ababa city government revenue authority which has about 10 sub cities and the target population of the study is as described above 1) Internal auditors directorate, 2) Planning and budget preparation, follow up and evaluation directorate and 3) Finance and property administration directorate. Thus, representative samples were selected from the branch offices of the authority including head office. Accordingly, there are 15 branch offices under Head office and participants were from the three directorates

and their related work process departments at branch offices. The target population is summarized as below:

Table 01: Stratified Target Populations

No	Name of Branch office	Department to be included		
1	Head Office	1*IA	1*Plan	1*Finance
2	Large Taxpayers	1*IA	1*Plan	1* Finance
3	Addis Ababa No. 1 Medium Taxpayers	2*IA	2*Plan	2* Finance
4	Addis Ababa No. 2 Medium Taxpayers			
5	Merkato No. 1 Medium Taxpayers	2*IA	2*Plan	2* Finance
6	Merkato No. 2 Medium Taxpayers			
7	Small Taxpayers (in 10 sub cities) (all have same structure)	10*IA	10*Plan	10* Finance
Total		16*IA	16* Plan	16* Finance

Source: Addis Ababa City Government Revenue Authority; Human Resource Management Directorate

Accordingly, participants of the study were selected from the departments of internal audit, planning and budget, follow up and evaluation and from finance and property administration. The total numbers of branch offices including head office were 16. From these branches sample branch were selected and also the participants were selected at availability sampling from each branch though there were variations in the number of participants due to admission and resigning of employees, meeting and training including willingness to participate.

### 3.3.1 Sampling Technique and Sample Size

The study aimed at assessing the Role of Internal Audit in Organizational Goal Achievement at Addis Ababa City Government Revenue Authority. As described above, quantitative research approach is used to study the role of internal auditors at this study area. The target participants by directorates and their extended branch offices were included for this study.

Thus, two stage stratified random sampling method were used to select participants and the technique used to select was 1) branch offices will be stratified and participants were taken from these branches at random with consideration of representation from each strata assumed. And 2) participants which were available during the data collection time were included as final participants of the study.

The sample size used for this study was therefore be determined proportionally as per the size of branches stratified to ensure that the sample included in the study was representative of the related branches. The sample branches included were;

Table 02: Sampled Branches

No.	Sampled Branches	Selected Branches	%	Departments included	Participants Available
1	1 Head Office	Head Office	100.0	Internal Audit	3
				Other	5
2	1 LTO	LTO	100.00	Internal Audit	2
				Other	3
3	2 Addis Ababa Medium	Addis Ababa No.1	50.00	Internal Audit	3
				Other	6
4	2 Merkato	Merkato No.1	50.00	Internal Audit	3
				Other	7
5	10 Small Taxpayers	Yeka and Kirkos	20.00	Internal Audit	4
				Other	10
Total			37.5(6/16)		46

'Other' represents participants from Finance, planning and budget

The sample size determined was based on the branch offices type stratified according to their size (Small, Medium, Large, Merkato and Head office) and representative branches was selected from these branches. Participants were all included at availability sampling from these branches and their respective departments. One from each stratified branch offices of Head office, LTO, Addis Ababa Medium, Merkato and from the ten Small taxpayers' branch offices. Hence currently there were about 46 employees available during the data collection and were included.

### 3.3.2 Sampling Procedures

The following the procedure was employed to select participants for the study;

1. Addis Ababa City government revenue authority has a total of 15 branches
2. Stratifying those branches had 1 Head offices, 2 Addis Ababa medium, 2 Merkato and 10 small taxpayer branch offices.
3. From these offices one branch was included, that is, head offices, 1 from Addis Ababa medium, 1 from Merkto and 2 from small taxpayers' branch office were included and the total numbers of participants were 46 employees and included and data were collected from them.

### **3.3.3 Data Type and Data Collection Instruments**

The data type used in this study was primary. The primary data were collected using structured questionnaires.

The instrument that was used to collect primary data is using structured questionnaires and participants were provided these questionnaires to fill by themselves.

The items related to organizational goal achievement were constructed and adapted (customized) from similar researches which were conducted previously; advisors' and experts suggestion suggestions and comments were considered. Finally, these suggestions and comments were considered to reconstruct those items and the data collection will be implemented using these items.

### **3.4. Data Analysis**

The data collected to understand the contribution of internal audit in organizational goal achievement were captured (entered) into SPSS for analyses by the researcher. In addition, the data entry and quality were checked before final data analysis.

SPSS were run as per the objectives of this study to assess the function of internal audit in relation to their views and goal achievement indicators. Thus, to identify the major roles that internal audit are playing appropriate descriptive statistics using tables, frequencies, percentages were used to analyzed the data as an appropriate.

### **3.5. Ethical Considerations**

To build participants confidence on the secrecy of the data they provide, they were informed to feel confident about the confidentiality, secrecy and limited use of the data which was only be used for academic purpose and to avoid writing their names in the instrument sheets.

As a result, it will be believed that will increase the correct view of participants towards the need as described in the instrument and will also build participants confidence to freely participate.



# CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

## 4.1 Introduction

This study attempted to understand the contributions of internal audit to organizational goal achievements. In this chapter the data collected using questionnaires were analyzed using the method of analyzed specified in chapter three (research methodology part of this study). The analysis and discussions of research findings from the data sources used in this study.

## 4.2 Demographic Characteristics

In this study quantitative research approach was employed and the data collected through questionnaires were analyzed using the aforementioned statistical methods. The data used to describe the demographic characteristics of participants' in this study were sex, age, educational level, their current position and work experiences in the revenue authority.

Accordingly, the demographic details of participants included in the survey related questionnaires were presented in the following table.

Table 03: Participants' background information

Type	Profile	Freq. (n = 46)	Perc. (%)
Sex	Female	22	47.8
	Male	24	52.2
Age	Below 25 years	4	8.7
	25 - 35 years	32	69.6
	36 - 45 years	8	17.4
	46 years &above	2	4.3
Educational Level	Degree	40	87.0
	Masters	6	13.0

Source: Survey data 2020

Table 4 above depicted that participants background information which were about 22 (47.8%) females and the rest 24 (52.2%) were males. The table also indicated that participants' age and their educational level. The number of

participants' age were in the range of below 25 years, 25 – 35 years, 36 – 45 years and 46 years and their number in the respective range were 4 (8.7%), 32 (69.6%), 8 (17.4%) and 2 (4.3%) respectively. In addition, the educational level of participants had BA degree were 40 (87.0%) and the rest 6 (13.0%) were master degree graduate.

From the analyzed data presented above, the number of males and females were almost proportional and believed that inclusion of both sexes (males and females) in the study is important to supplement the perception of both concerning the role of internal audit in organizational goal achievement. In addition, the educational level of participants' and their age were also found that their age in the range of 25 to 45 years old and about 87% of them were degree graduate which implied that such variables were perceived qualified to understand and realized the contributions of internal audit in organizational goal achievements.

Table 04: Participants' position and experience

Type	Profile	Freq. (n = 46)	Perc. (%)
Current Position	Internal Audit	15	32.6
	Other (Finance, Plan & Budget)	31	67.4
<b>Total</b>		<b>46</b>	<b>100.0</b>
How long working in this position	1 – 3 Years	9	19.6
	4 – 6 Years	16	34.8
	More than 6 Years	21	45.6
<b>Total</b>		<b>46</b>	<b>100.0</b>

Source: Survey data 2020

The above table 4 revealed that participants' position in which they were working in the revenue authority. Accordingly, the number of participants included in this study were found that about 15 (32.6%) were working in the internal audit team and the rest 31 (67.4%) staff were from other departments (finance, planning and budgeting). Likewise, the number of participants who had work experience of 1 – 3 years, 4 – 6 years and more than 6 years were found that 9 (19.6%), 16 (34.8%) and 21 (45.6%) respectively.

Hence, it could be remarked here is that participants were from internal audit were included for considerations of their activities towards the goal achievement of the revenue authority. Participants from finance and budgeting were also included due to their relationship with internal audit for the wise use of resources. The staffs from planning were also due to their engagement in assessment and evaluating the deviations of planed activities and their accomplishment. Hence, all these participants were proportionally included in view of these and main objectives of the study, that is, to understand the role of internal audit in relation to the authority's goal achievement.

### 4.3 Descriptive Results

In this part the items related to the functions of internal audit, mechanism for goal achievement and risk assessment process. Accordingly, the participants' responses to these three categories were discussed under this part.

Table 05: Internal Audit qualification and experiences

Items	Responses	Freq. (N)	Perc. (%)
The internal audit team qualified for an efficient audit.	Yes	31	67.4
	No	11	23.9
	I don't know	4	8.7
Total		46	100.0
Experience to effectively execute (audit activities).	Yes	27	58.7
	No	15	32.6
	I don't know	4	8.7
Total		46	100.0

Source: Survey data 2020

The above table 05 indicated that participant response towards internal audit team qualification for conducting efficient audit and their responses to the responses options yes, no and do not know were 31 (67.4%), 11 (23.9%) and 4 (8.7%) respectively. In addition, the responses towards internal auditors experience to accomplish the audit activities were responded yes, no and I do not know were 27 (58.7%), 15 (32.6%) and 4 (8.7%) respectively.

Thus, the basic requirements that internal audit have to possess for undertaking efficient and effective auditing activities seemed qualified and experienced to conduct efficient and effective audit activities as majority of the participants were agreed to the related variables. This implied that the result from the functions of internal audit will make fruitful as they had the ability and experiences to produce what the revenue authority need to achieve. However, some participants were also responded as the qualification and experiences of internal auditors were not. Thus, concerned bodies should better be give attention for adequate professional support from this section.

Table 06: Role of Internal Audit

The practical role that internal audit contributing	Participants		Total	
	IA	Other	N	%
• Formulate procedures in what things have to be done	-	6	6	13.0
• Observing for faults	5	4	9	19.6
• Assisting the management to attain organizational goals	7	12	19	41.3
• To provide assurance about the internal control effectiveness	3	9	12	26.1
Total	15	31	46	100.0

Source: Survey data 2020

Table above 06 explained participants' responses towards the practical role that internal audit contributing were formulate procedures in what things have to be done, observing for faults, assisting the management to attain organizational goals and to provide assurance about the internal control effectiveness and the responses were found that 13.0% (13.0% other), 19.6% (IA 10.9% and other 8.7%), 41.3% (IA 15.2% and other 26.1%) and 26.1% (IA 6.5% and other 19.6%) respectively.

Therefore, taking the majority of responses the role of internal audit was found assisting the management to attain organizational goals and also to provide assurance about the internal control effectiveness. The important issues identified here is that the role of internal audit was assisting the management to attain organizational goals and to provide assurance about the internal control effectiveness. However, some internal auditors responded as the role of internal

auditors were to observe for faults which concerned bodies have better focus and aware that auditors never be a fault finder rather assistance in goal achievements.

Table 07: Annual audit plan of Internal Audit

Annual audit plan be in Place	Participants		Total	
	IA	Other	IA	Other
• After approved by the Mgt of the revenue authority	6	14	20	43.5
• According to assessed and prioritize risks of operational units	7	14	21	45.6
• Other	1	-	1	2.2
• Missing	1	3	4	8.7
Total	15	31	46	100.0

Source: Survey data 2020

Table above 07 explained participants' responses towards the annual audit plan implementation and the participants' responses were found that the options after approved by the management of the revenue authority, according to assessed and prioritize risks of operational units, other and missing were 43.5% (6 IA and 14 other), 45.6% (7 IA and 14 other), 2.2 % (other) and 8.7% (missing) respectively.

Therefore, taking the majority of responses that the annual audit plan has been in place after approved by the management of the revenue authority the responses of participants, others also believed as it was as per the assessed and prioritize risks of operational units. The important issues identified here is that the annual planned activities were in place according to assessed and prioritize risks of operational units and after the management approved which could this create common understanding between the management and internal audit to outlined the activities to be accomplished in connection with the organizational goals and within its scope to support the prioritized targets. In addition, to avoid misunderstanding, the internal audits have to make clear the need for approval and the issue of risk assessment in planning its workable activities.

Table 08: Members and structures of Internal Audit

Items	Freq	Yes	No	Don't know (other)	Missing	Total
— Members of IA as per the structure	N	22	9	11	4	46
	%	47.8	19.6	23.9	8.7	100.0
— Number of IA enough to audit what is planed	N	20	24	-	2	46
	%	43.5	52.2	-	4.3	100.0
— IA reporting structure has a problem	N	21	20	2	3	46
	%	45.7	43.5	4.3	6.5	100.0

Source: Survey data 2020

The table 08 above explained that participant' responses towards internal audit members and its related structures, the description of participants' responses were presented as below;

- The frequency of responses for internal audit related functions, that is, members of internal audit were as per the structure and the responses options of yes, no, do not know were found 22 (47.8%), 9 (19.6%), 11 (23.9%) and 4 (8.7%) respectively.
- Participants' responses towards is the staff number of internal audit enough to audit what is planed were found 20 (43.5%) yes, 24 (52.2%) no and the rest 2 (4.3%) missing.
- Table above also revealed that participants responses towards the item that internal audit reporting structure has a problem and found that 21 (45.7%), 20 (43.5%), 2 (4.3%), and 3 (6.5%) to the responses options of yes, no, other and did not respond (missing) respectively.

Observing of these responses indicated that themembers of the internal audit team were as per the allowed stricture. On the other hand, the number of internal audit were enough to audit what they planned and internal audit reporting structure has a problem were found almost same and proportion. The basic finding here is that to accomplish what is planned, the number ofemployees in internal audit team need to be as per the structure and this was found there were not and this might affect to contribute to the level they are expecting. Hence, in this regard, concerned officials of the revenue authority should better support and evaluate the planned activities, the number of internal audit staff members and the reporting structure for effective planned accomplishment and smooth reporting structures

for effective implementation and follow up of audit findings that help adjust deviations.

Table 09: Subject and purpose of internal audit

1) Who decided the subject of IA?	Frequency	Percent
• Internal Audit directorate	17	37.0
• Internal audit team	15	32.6
• Management of branch office	8	17.4
• Management and Internal audit team	3	6.5
• Other	1	2.2
• Missing	2	4.3
Total	46	100.0
2) Purpose of IA reviews recorded data		
• To certify that all financial rules are exercised during the financial year or not	16	34.8
• To check for compliance and analyze for financial viability	27	58.7
• Other	1	2.2
• Missing	2	4.3
Total	46	100.0

Source: Survey data 2020

The above table 09 depicted participants' responses and investigated as discussed below;

- 1) The number of participants who were believed that the subject of internal audit was decided by Internal Audit directorate, Internal audit team, Management of branch office, Management and Internal audit team, Other and Missing were found that 17 (37.0%), 15 (32.6%), 8 (17.4%), 3 (6.5%), 1 (2.2%) and 2 (4.3%) respectively.
- 2) Participants' responses towards the purpose of reviewing the recorded data by internal audit to certify that all financial rules are exercised during the financial year or not, check for compliance and analyze for financial viability, other and missing were found that 16 (34.8%), 27 (58.7%), 1 (2.2%) and 2 (4.3%) respectively.

Based on the results analyzed above, the interpretation can, therefore, the subject of internal audit of the revenue authority was decided by both the internal audit and internal audit team and some respondents also believed that the management of the respective branch. Here, it needs clarity, that is, internal audit is better focus on what the management (the organization) wants to achieve and should better act accordingly. In addition to this the purpose of reviewing recorded data by internal audit were also mainly to check for compliance and analyze for financial viability and certifying all financial rules are exercised during the financial were also found to some degree. Thus, the function of internal audit was seemed within the scope and understanding of the management and addressing whether the activities were as per the established criteria were also emphasized.

Table 10: Issuance of guidance and standards for clarity

Mechanisms	Resposes	Frequency	Percent
Do Bureau of Finance and Economic development support in issuing guidance and standards for audit clarify?	Yes	29	63.0
	No	11	23.9
	I don't know	5	10.9
	Missing	1	2.2
Total		46	100.0

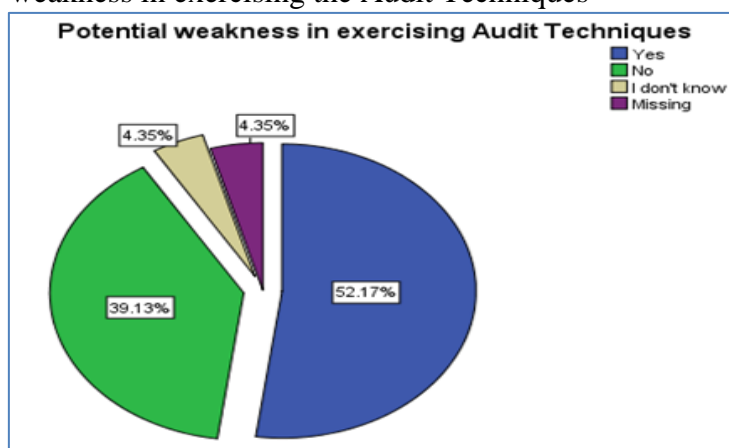
Source: Survey data 2020

Table 10 above indicated that the responses of participants' towards supporting internal audit in terms of issuing guidance and standards for clarity. The number of participants who responded yes, no, do not know and missing were 63.0%, 23.9%, 10.9% and 2.2% respectively.

Accordingly, it was found that the Bureau of Finance and Economic development is issuing guidance and standards for audit clarify purposes. Having clear guiding standard might promote uniform understanding among the internal audit teams in response to the grand revenue authority missions for which it was established.



Figure 01: weakness in exercising the Audit Techniques



Source: Survey data 2020

The above figure 01 explained that participants' responses for their perception that is there any potential weakness in the exercise of audit techniques that prevent internal auditors to perform and achieve the authority goals more efficiently and their responses for this item were found that 52.17% responded Yes, 39.13% responded no and those who do not know and missing were 4.35% each.

From the above data presentation it can be observed that there existed a potential weakness in exercising audit techniques in the revenue authority. This implied that having limitations in exercising audit technique might lead 1) to overlook potential misstatements, fraud detection ability and properly evaluate the internal control system effectiveness 2) affect the uniformity and recommended stepwise procedures included under audit technique. Hence, the resources might not be safeguarded due to the effective audit technique which this may not guarantee for safeguarding of organizational resources. So, concerned bodies should better emphasize on the proper application of audit techniques to bring wise use of resources important for organizational goal achievement.

Table 11: Need for internal audit

Position in the Authority		Run smoothly revenue authority without IA				Total
		Yes	No	I don't know	Missing	
Internal Audit	N	5	7	2	1	15
	%	11.6	16.3	4.7	2.2	32.6
Other (Finance, Planning and Budget)	N	9	18	2	2	31
	%	20.9	41.9	4.7	4.7	67.4
Total	N	14	25	4	3	46
	%	30.4	54.4	8.7	6.5	100

Source: Survey data 2020

The above table 11 described that participant' responses whether it is possible to run the revenue authority smoothly as per the legal requirement without internal audit and found that 30.4% (14), 54.4% (25), 8.7% (4) and 6.5% (3) to the responses options yes, no, don't know and missing respectively. In addition the table depicted as the presence of internal audit for the authority was important 5 out of 15 internal auditors and 9 out of the 31 non-internal audits were agreed (responded yes).

Interpretations of the data analyzed above indicated that majority (54.4%) of participants' were supported that it is not possible to run the revenue authority smoothly as per the legal requirement without internal audit. In other words, internal audit was important to run the revenue authority smoothly with in the established legal requirement that help attain the predetermined goals.

Table 12: Audit and Inspection contribution in goal achievement

Audit and Inspection contribution in goal achievement (RA)		Position in the Authority		Total
		IA	Other	
• Plays significant role in audit follow up and implementation	N	8	18	26
	%	17.8	40.0	57.8
• Nothing they simply ask for reports	N	7	12	19
	%	15.6	26.7	42.2
Total	N	15	30	45
	%	33.3	66.7	100.0

Source: Survey data 2020

Table 12 above indicated the responses of participants towards the extent that the audit and inspection (finance bureau) contributes in the achievement of the revenue authority goals and the responses to play significant role in audit follow up and implementation and nothing they simply ask for reports were 26 (56.5%) and 19 (41.3%) respectively (1 was missing).

From this it could be suggested that the extent that audit and inspection (finance bureau) contributes in the achievement of the revenue authority goals was that it plays significant role in audit follow up and implementation. However, out of the

42.2% respondents 15.6% of them were from internal audit and indicated that there is a need to change the intention for asking reports. This was an implication of auditor themselves, therefore, to play their role in attaining goal achievement, concerned should better give attentions to change this trend by stressing the findings using follow up for the purpose of implementations as per the recommendations.

Table 13: Role of IA and responsibility for implementing recommendation

<b>Items</b>	<b>N</b>	<b>%</b>
Role of IA in organizational goal Achievement		
• Ensures accomplishment of organizational goals in an effective and efficient manner.	19	41.3
• Evaluate risk management, control and governance processes	22	47.8
• They don't have any contribution to the organizational mission	3	6.5
• Missing	2	4.4
<b>Total</b>	<b>46</b>	<b>100</b>
Responsible for implementation the recommendations		
• The manager with management	21	45.7
• The Auditee	14	30.4
• The internal audit team	10	21.7
• Missing	1	2.2
<b>Total</b>	<b>46</b>	<b>100.0</b>

Source: Survey data 2020

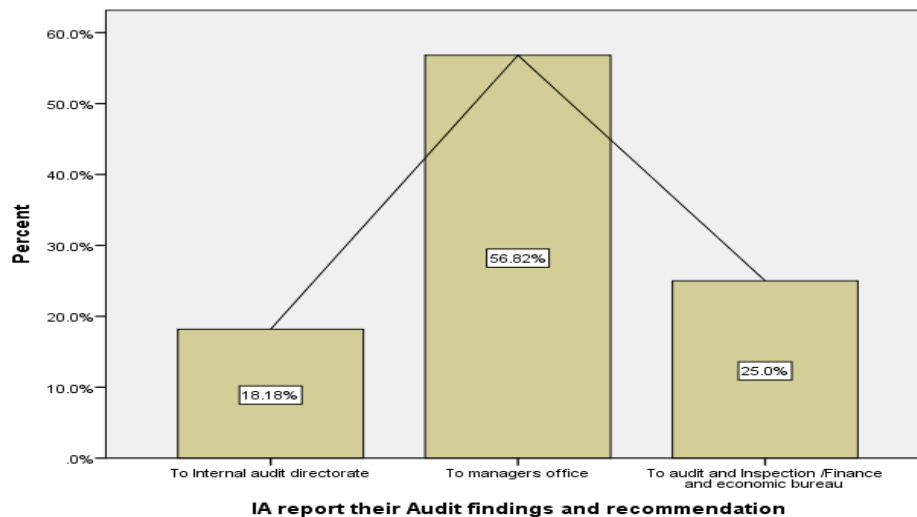
Table 13 above revealed that the specific role of internal audit in organizational goal achievement and the responsibility for implementing recommendations and discussed as presented in the following:

- 1) The number of participants that the role of internal audit in an organization is to ensures accomplishment of organizational goals in an effective and efficient manner, evaluate risk management, control and governance processes, They don't have any contribution to the organizational mission and those who did not responded were 41.3, 47.8, 6.5 and 4.4 respectively.
- 2) The numbers of participants that believe that implementation the recommendations are the responsible of the manager with management, the

Auditee, the internal audit team and missing were found that about 45.7%, 30.4%, 21.7% and 2.2% respectively.

Interpretation of the above data showed that the role of internal audit is both to ensure accomplishment of organizational goals in an effective and efficient manner and to evaluate risk management, control and governance processes. In addition, the manager with management is responsible for implementation of audit recommendation. The mandate for implementation audit findings were the audit team to follow up whether it is implemented as per the recommendation, the manager and management are to implement if the audit is considering the deviations identified for adjustment.

Figure 02: Reporting Audit Findings and Recommendations



Source: Survey data 2020

The figure 02 above participants' responses towards to whom the internal audit report their audit findings and recommendations and their responses found that about 18.18% of them responded to Internal audit directorate, 56.82% of them were to managers office and the rest 25.0% of them were to audit and Inspection /Finance and economic bureau.

From this the internal audit were reporting their audit findings and recommendations to manager office. However, what must be stressed with this research findings were the reports issued by internal audit to multiple reporting line was for the sack of support in taking measures in implementing audit

findings. Therefore, letting others to know about the audit findings helps minimize the challenges that internal auditors might face and this the responses confirms that those mentioned parties were informed by sending copies of the reports issued.

Table 14: Reporting Structure for implementation of recommendation

Item	Responses options				
	Frequency	Yes	No	Missing	Total
Reporting structure have a problem in implementing the recommend	N	27	16	3	46
	%	58.7	34.8	6.5	100.0

Source: Survey data 2020

Table 14 above indicated that participants responses for which there exit a problem that the reporting structure of audit report have a problem for implementation of recommendations and those who have a responses of yes were 27 (58.7%), no were 16 (34.8%) and the rest 3 (6.5%) were not responded neither to the responses (yes/no (missing)).

Hence, it can be concluded that the reporting structure have a problem. Accordingly, concerning bodies should better evaluate and reconstruct the reporting line for proper and effective delivery and implementation of audit findings. In addition, to this concerned bodies have to look to minimize risks that might exist due to the reporting structure rising from auditees and thus would build confidence of internal auditors and motivate to discharge what expected from them.

Table 15: Items related to risk assessment

Items	Response options					
	Frequ.	Yes	No	Don't know	Missing	Total
a) IA identified and registered the risk areas of the branch	N	34	9	2	1	46
	%	73.9	19.6	4.3	2.2	100.0
b) Possible way to enhance, quick discovery of errors and improve	N	24	9	11	2	46
	%	52.2	19.6	23.9	4.3	100.0
c) Expectation gap between IA and organizational goal	N	29	15	-	2	46
	%	63.0	32.6	-	4.3	100.0

Source: Survey data 2020

The above table 15 explained that participants' perception and their response towards IA identified and registered the risk areas of the branch, Possible way to enhance, quick discovery of errors and improve and Expectation gap between IA and organizational goal and the responses by participants were as presented below;

- a) The number of participants' responses that IA identified and registered the risk areas of the branch were '73.9 of them responded yes', '19.6% responded no', '2 of them responded don't know' and '1 did not respond at all or missing'.

Accordingly to the majority of responses, it can be concluded that Internal Auditors were identifying and registering the risk areas of the branch which were important to act and focus accordingly in this area and because this helps to make prior mechanisms to minimize these already identified and registered risks that were a threat to hinder organizational goal achievement.

- b) The table also depicted participants responses whether there is any other (than internal audit) possible way through which the authority could enhance; quick discovery of errors, stand out of frauds and also to improve organizational efficiency or not and found that Yes, No, Do not know and missing and the number of corresponding responses were 24 (52.2%), 9 (19.6%), 11 (23.9%) and 2 (4.3%) respectively.

Therefore, as per the results presented above, it can be concluded that there were also possible way (than internal audit) through which the authority could enhance; quick discovery of errors, stand out of frauds and also to improve organizational efficiency. In this regard, it can be considered the ethics and liaisons team that serves as a mechanism of watching on unethical acts and prohibited procedures.

- c) As discussed above the responses to whether there is any expectation gap between internal audit and organization goals or not were also found that 63.0% responded yes and 32.6% of them were responded no and the rest 4.3% were missing.

From this, it can be concluded that there was an expectation gap between internal audit and organization goals and this implied that concerned bodies should better fill the gap for thorough organizational goal achievement in terms of experience in auditing and arranging relevant training programs.

Table 16: Risk assessment related variables

Items	Total	
1) Potential benefits of IA to your branch office	N	%
• Prevents error and fraud	31	67.4
• Fear internal audit this helps employees from making mistakes	13	28.3
• No benefit to the organization simply waste of resources	2	4.3
<b>Total</b>	<b>46</b>	<b>100.0</b>
2) Who is preferable by the branch		
• Internal Audit	35	76.1
• External Audit firms	8	17.4
• The Addis Ababa Auditor General	3	6.5
<b>Total</b>	<b>46</b>	<b>100.0</b>

Source: Survey data 2020

Table 16 presented above explained those participants' responses towards risk assessment related variables and the rate of frequencies that participants' responded were presented as below;

1. Participants' were asked to identify the potential benefits of internal audit to the branch office were Prevents error and fraud, Fear internal audit this helps employees from making mistakes and No benefit to the organization simply waste of resources and the frequency of responses were also found that 31 (67.4%), 13 (28.3%) and 2 (4.3%) respectively.

From this it can be identified that the potential benefits of internal audit to the branch office were to prevent error and fraud. This helps the revenue authority to reduce cost and expenses that might incur due to carelessness and intentional fraud acts which guarantees safeguarding of the organization's resources important for achieving predetermined organizational goals.

2. The above table 16 also indicated that participant responses towards the preference to audit the branch office's activities (by the branch office) were by

Internal Audit, External Audit firms and the Addis Ababa Auditor General and the frequency of responses were found 35 (76.1%), 8 (17.4%) and 3 (6.5%) respectively.

From the data analysis presented above the preferred one to audit the branch offices operational activities was found internal audit overall others entities. Thus, concerned bodies of the revenue authority should better strengthen in terms resources, training and hired qualified employees which it can provided an all-round support to achieve is goal.

Table 17: Internal audit objective during auditing

IA looks during an audit		Position type		Total
		IA	Other	
– To look for faults and errors /negative things	N	8	10	18
	%	17.39	21.74	39.13
– To evaluate and improve overall effectiveness and efficiency	N	2	11	13
	%	4.35	23.91	28.26
– To critically examine operations and makes comments for its solution	N	4	9	13
	%	8.7	19.57	28.26
– Those who did responded to any of the above items (Missing)	N	1	1	2
	%	2.17	2.17	4.35
Total	N	15	31	46
	%	32.61	67.39	100.0

Source: Survey data 2020

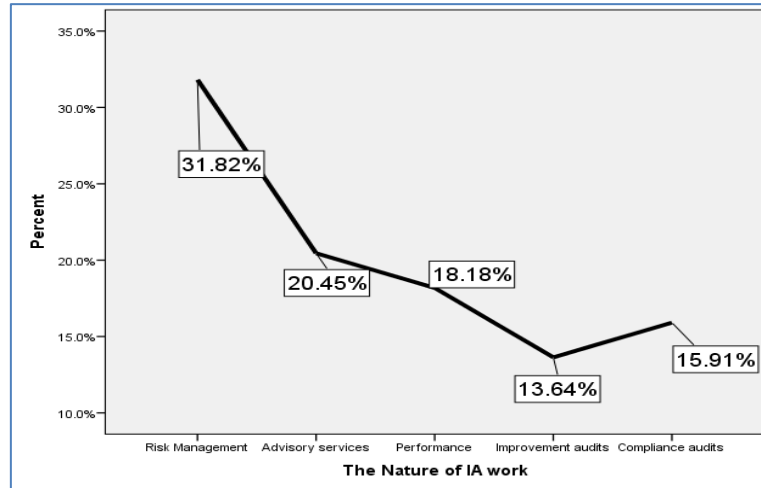
The table above depicted that participants perception and responses to the item what internal audit looks during an audit to the identified options and the listed categories to look for faults and errors /negative things, to evaluate and improve overall effectiveness and efficiency and to critically examine operations and makes comments for its solution and the number of participants were found that 39.13%, 28.26% and 28.26% respectively.

From this, it can be identified that the primary objectives that internal audit is looking for during an audit was to identify faults and errors /negative things/ in their audit assignments. However, training and adequate awareness creations have better be given to broaden audit objectives because fault finding should not be the



target of auditing. Therefore, the objective of audit engagements should be beyond errors adjustments but better linked with the overall organizational gal achievements.

Figure 03: Nature of Internal Audit works



Source: Survey data 2020

The figure above indicated participants’ responses towards the nature of auditing in the revenue authority and were categorized as risk management, advisory services, performance, improvement audits and compliance audits and the number of responses were 31.82%, 20.45%, 18.18%, 13.64% and 15.91% respectively.

Hence, the natures of audit undertaking in the revenue authority were risk management type and others listed were also conducting but the frequencies were very limited not as much as the risk management. However, to evaluate the overall operational activities of the revenue authorities other types of auditing will also be conducted side by side for efficient

Table 18: Expectations from auditing

Branch office expectation during an audit	Frequency	
	N	%
– Consider as a positive who are working for their improvement	22	47.8
– Fear due to fault finding considerations and punishment	14	30.4
– Expect them as they are interested in “doing the thing right”	10	21.7
Total	46	100.0

Source: Survey data 2020

Table 18 above indicated branch office expectations during an audit and the responses to the outlined options of consider as a positive who are working for their improvement, fear due to fault finding considerations and punishment and expect them as they are interested in “doing the thing right” were 22 (47.8%), 14 (30.4%) and 10 (21.7%) respectively.

The data analysis conducted above indicated that majority of participants were perceived that the respective branch office expectation during an audit was consider as a positive who are working for their improvement. This might enhance positive relationship between the internal audit and auditees in the branch offices which ultimately help learn each another and create common understanding for the overall operational improvements.

Table 19: IA contributions for goal achievement

IA’s contribution for achievement of organizational goal are
<ul style="list-style-type: none"> <li>To look for faults and errors</li> </ul>
<ul style="list-style-type: none"> <li>Assurance and Giving advice for management</li> </ul>
<ul style="list-style-type: none"> <li>For controlling budget, To find out any working mistakes</li> </ul>
<ul style="list-style-type: none"> <li>To prevent fraud</li> </ul>
<ul style="list-style-type: none"> <li>To protect the organization</li> </ul>

Source: Survey data 2020

The table above indicated that the contribution of internal audit identified by participants specifically they listed out that to look for faults and errors, assurance and giving advice for management, for controlling budget, to find out any working mistakes, to prevent fraud and to protect the organization. Hence, these all are important and can interchangeable be used in terms of one another and are important for achieving organizational goals.

#### 4.4 Discussion of Study Findings

The demographic characteristics of participants found that about 47.8% of them were females and the rest 52.2% were males and most (69.6%) participants were aged in the range of 25 – 35 years. In addition, the educational levels have also

found that majority (87.0%) participants were BA degree graduate, the rest had master degree. The number of participants included in this study was from internal audit, finance, planning and budgeting teams and work process coordinators.

With regard to auditors ability and experiences required where indicated in the internal audit ethical values, standards and principles the main issues to this end it implied that auditors should possess competency to apply the knowledge, skills and experience needed in the performance of internal auditing services. They have to engage only in those services for which they have the necessary knowledge, skills and experience. In this study the basic requirements that internal audit have to possess for undertaking efficient and effective auditing activities seemed qualified and experienced to conduct efficient and effective audit activities as majority of the participants were agreed to the related variables. This implied that the result from the functions of internal audit will make fruitful as they had the ability and experiences to produce what the revenue authority need to achieve. This study also revealed that some internal auditors lack qualification and experiences which concerned bodies should better be give attention for adequate professional support as described in this paragraph.

In this study it was found that the practical role that internal audit contributing was found assisting the management to attain organizational goals and also to provide assurance about the internal control effectiveness. The important issues identified here is that the role of internal audit was assisting the management to attain organizational goals and to provide assurance about the internal control effectiveness. Literature in this area also confirmed that internal auditors play a basic role not only in risk management but also providing consultants and assurance services to the executives. The primary role of Internal Audit is to complement the organizations' risk management strategies and also identified that internal auditors are explorers, analysts, problem-solvers, reporters, trusted advisor, and also bring objectivity and a variety of skills and expertise to the organization. The role of internal auditing in the review of effectiveness of the internal control system is to find out whether the internal control system is functioning well as it is intended to do.

However, it was identified that some internal auditors perceived that the role of internal auditors were to observe for faults which this have to corrected to emphasizes to the broader concept of assistance for goal achievement which concerned bodies have better give attention and aware them to focus in goal achievements activities rather than fault oriented activities.

As per this study finding it was found that the annual audit plan has been in place after approved by the management of the revenue authority the responses of participants, others also believed as it was as per the assessed and prioritize risks of operational units. The important issues identified here is that the annual planned activities were in place according to assessed and prioritize risks of operational units and after the management approved which could this create common understanding between the management and internal audit to outlined the activities to be accomplished in connection with the organizational goals and within its scope to support the prioritized targets. In addition, to avoid misunderstanding, the internal audits have to make clear the need for approval and the issue of risk assessment in planning its workable activities.

The basic finding here is that to accomplish what is planned, the number of employees in internal audit team need to be as per the structure and this was found there were not and this might affect to contribute to the level they are expecting. Hence, in this regard, concerned officials of the revenue authority should better support and evaluate the planned activities, the number of internal audit staff members and the reporting structure for effective planned accomplishment and smooth reporting structures for effective implementation and follow up of audit findings that help adjust deviations.

Likewise, interpretations of the data analyzed found that the subject of internal audit of the revenue authority was decided by both the internal audit and internal audit team and some respondents also believed that the management of the respective branch. The purpose of reviewing recorded data by internal audit were also mainly to check for compliance and analyze for financial viability and certifying all financial rules are exercised during the financial were also found to some degree. Thus, the function of internal audit was seemed within the scope and

understanding of the management and addressing whether the activities were as per the established criteria were also emphasized. Literature in the area of internal audit function indicated that internal audit is better focus on what the management (the organization) wants to achieve and should better act accordingly. Literature also indicated that internal audit is an evaluation function available to an organization to examine and appreciate the proper functioning, consistency and effectiveness of its internal control.

Internal audit has various standards indicated as part of the internal auditors competence there needs standards to perform internal auditing services in accordance with the government internal audit standards, incorporating the International Standards for the Professional Practice and also need for continually improvement for proficiency and the effectiveness and quality of their services. In this study it was found that the Bureau of Finance and Economic development is issuing guidance and standards for audit clarify purposes. Having clear guiding standard might promote uniform understanding among the internal audit teams in response to the grand revenue authority missions for which it was established.

In this study it was found that there was a limitation in exercising audit technique might lead 1) to overlook potential misstatements, fraud detection ability and properly evaluate the internal control system effectiveness 2) affect the uniformity and recommended stepwise procedures included under audit technique. Hence, the resources might not be safeguarded due to the effective audit technique which this may not guarantee for safeguarding of organizational resources. So, concerned bodies should better emphasize on the proper application of audit techniques to bring wise use of resources important for organizational goal achievement.

The need for internal audit literature indicated that because management needed some means of evaluating not only the efficiency of work performed for the business but also the honesty of its employees. In addition, the demand for both external and internal auditing is sourced in the need to have some means of independent verification to reduce record-keeping errors, asset misappropriation, and fraud within business and nonbusiness organizations. Hence, this current study also supported that it is not possible to run the revenue authority smoothly

as per the legal requirement without internal audit. In other words, internal audit was important to run the revenue authority smoothly with in the established legal requirement that help attain the predetermined goals.

In this study it was investigated that the audit and inspection (finance bureau) was playing its significant role in audit follow up and implementation. However, out of the 42.2% respondents 15.6 of them were from internal audit and indicated that there is a need to change the intention for asking reports. This was an implication of auditors themselves; therefore, to plays their role in attaining goal achievement, concerned should better give attentions to change to change this trend by stressing the findings using follow up for the purpose of implementations as per the recommendations.

Internal auditors play a key role in monitoring a company's risk profile and identifying the areas to improve risk management. The role of internal auditing in the review of effectiveness of the internal control system is to find out whether the internal control system is functioning well as it is intended to do. Internal auditors play a basic role not only in risk management but also providing consultants and assurance services to the executives. In this study it was found that the role of internal audit is both to ensure accomplishment of organizational goals in an effective and efficient manner and to evaluate risk management, control and governance processes. In addition, the manager with management is responsible for implementation of audit recommendation. The mandate for implementation audit findings were the audit team to follow up whether it is implemented as per the recommendation, the manager and management are to implement if the audit is considering the deviations identified for adjustment.

Literature indicated that audit results are aired and any recommended improvements or corrective actions are addressed and ideally, internal audit should report functionally to the board or audit committee and administratively to management. In this study it was pointed out that internal audit were reporting their audit findings and recommendations to manager office. However, what must be stressed with this research findings were the reports issued by internal audit to multiple reporting line was for the sack of support in taking measures in

implementing audit findings. Therefore, letting others to know about the audit findings helps minimize the challenges that internal auditors might face and this the responses confirms that those mentioned parties were informed by sending copies of the reports issued. In addition, the reporting structure has a problem. Accordingly, concerning bodies should better evaluate and reconstruct the reporting line for proper and effective delivery and implementation of audit findings as per the previous studies in this area. In addition, to this concerned bodies have to look to minimize risks that might exist due to the reporting structure rising from auditees and thus would build confidence of internal auditors and motivate to discharge what expected from them.

Analysis of the data indicated that there was an expectation gap between internal audit and organization goals and this implied that concerned bodies should better fill the gap for thorough organizational goal achievement in terms of experience in auditing and arranging relevant training programs. It was also identified that the potential benefits of internal audit to the branch office were to prevent error and fraud. This helps the revenue authority to reduce cost and expenses that might incur due to carelessness and intentional fraud acts which guarantees safeguarding of the organization's resources important for achieving predetermined organizational goals. Concerning the benefit of internal audit, it was the preferred one to audit the branch offices operational activities which concerned bodies of the revenue authority should better strengthen in terms resources, training and hired qualified employees which it can provided an all-round support to achieve is goal.

Literature indicated that the major objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. In this study it was found that the primary objectives that internal audit is looking for during an audit was to identify faults and errors /negative things/ in their audit assignments. However, training and adequate awareness creations have better be given to broaden audit objectives because fault finding should not be the target of

auditing. Therefore, the objective of audit engagements should be beyond errors adjustments to link with the overall organizational gal achievements.

Prior knowledge about internal audit key roles emphasized in monitoring a company's risk profile and identifying the areas to improve risk management and this study also supported this which means the natures of auditing undertaking in the revenue authority were with the aim of risk management type. In addition, in this study it was also pointed out that the auditees /branch office/ expectation during an audit were considered positive as a supportive as for improvements which might this enhance positive relationship between the internal audit and auditees in the branch offices which ultimately help learn each another and create common understanding for the overall operational improvements.

#### **4.5 Summary of Major Findings**

The study analyzed using descriptive method. Accordingly, the major findings of this study were summarized as presented in the following:

1. The demographic characteristics of participants found that about 47.8% of them were females and the rest 52.2% were males and most (69.6%) participants were aged in the range of 25 – 35 years. In addition, the educational levels have also found that majority (87.0%) participants were BA degree graduate, the rest had master degree. The number of participants included in this study was from internal audit, finance, planning and budgeting teams and work process coordinators.
2. In this study the basic requirements that internal audit have to possess for undertaking efficient and effective auditing activities seemed qualified and experienced to conduct efficient and effective audit activities as majority of the participants were agreed to the related variables. This implied that the result from the functions of internal audit will make fruitful as they had the ability and experiences to produce what the revenue authority need to achieve.
3. It was found that the practical role that internal audit contributing was found assisting the management to attain organizational goals and also to provide



assurance about the internal control effectiveness. The important issues identified here is that the role of internal audit was assisting the management to attain organizational goals and to provide assurance about the internal control effectiveness. The role of internal auditing in the review of effectiveness of the internal control system is to find out whether the internal control system is functioning well as it is intended to do. However, it was also identified that some internal auditors perceived that the role of internal auditors were to observe for faults.

4. In this study it was found that the annual audit plan has been in place after approved by the management of the revenue authority the responses of participants, others also believed as it was as per the assessed and prioritize risks of operational units. The important issues identified here is that the annual planned activities were in place according to assessed and prioritize risks of operational units and after the management approved which could this create common understanding between the management and internal audit to outlined the activities to be accomplished in connection with the organizational goals and within its scope to support the prioritized targets.
5. It was found that to accomplish what is planned, the number of employees in internal audit team need to be as per the structure and this was found there were not and this might affect to contribute to the level they are expecting.
6. The subject of internal audit in the revenue authority was decided by both the internal audit and internal audit team and some respondents also believed that the management of the respective branch. The purpose of reviewing recorded data by internal audit were also mainly to check for compliance and analyze for financial viability and certifying all financial rules are exercised during the financial were also found to some degree. Thus, the function of internal audit was seemed within the scope and understanding of the management and addressing whether the activities were as per the established criteria were also emphasized.
7. In this study it was found that the Bureau of Finance and Economic development is issuing guidance and standards for audit clarify purposes.

Having clear guiding standard might promote uniform understanding among the internal audit teams in response to the grand revenue authority missions for which it was established.

8. In this study it was found that there was a limitation in exercising audit technique might lead 1) to overlook potential misstatements, fraud detection ability and properly evaluate the internal control system effectiveness 2) affect the uniformity and recommended stepwise procedures included under audit technique. Hence, the resources might not be safeguarded due to the ineffective audit technique which this may not guarantee for safeguarding of organizational resources.
9. In this it was found that without internal audit there might not be possible to run the revenue authority smoothly as per the legal requirement without internal audit. In other words, internal audit was important to run the revenue authority smoothly with in the established legal requirement that help attain the predetermined goals.
10. In this study it was investigated that the audit and inspection (finance bureau) was playing its significant role in audit follow up and implementation. However, out of the 42.2% respondents 15.6 of them were from internal audit and indicated that there is a need to change the intention for asking reports.
11. This study pointed out that the role of internal audit is both to ensure accomplishment of organizational goals in an effective and efficient manner and to evaluate risk management, control and governance processes. In addition, the manager with management is responsible for implementation of audit recommendation. The mandate for implementation audit findings were the audit team to follow up whether it is implemented as per the recommendation, the manager and management are to implement if the audit is considering the deviations identified for adjustment.
12. In this study it was pointed out that internal audit were reporting their audit findings and recommendations to manager office. However, what must be stressed with this research findings were the reports issued by internal audit to

multiple reporting line was for the sack of support in taking measures in implementing audit findings.

13. Analysis of the data indicated that there was an expectation gap between internal audit and organization goals. It was also identified that the potential benefits of internal audit to the branch office were to prevent error and fraud. This helps the revenue authority to reduce cost and expenses that might incur due to carelessness and intentional fraud acts which guarantees safeguarding of the organization's resources important for achieving predetermined organizational goals.
14. In this study it was found that the primary objectives that internal audit is looking for during an audit was to identify faults and errors /negative things/ in their audit assignments. However, training and adequate awareness creations have better be given to broaden audit objectives because fault finding should not be the target of auditing. Therefore, the objective of audit engagements should be beyond errors adjustments to link with the overall organizational gal achievements.
15. In this study it was identified that the auditees /branch office/ expectation during an audit were considered positive as a supportive as for improvements which might this enhance positive relationship between the internal audit and auditees in the branch offices which ultimately help learn each another and create common understanding for the overall operational improvements.

# CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

## 5.1 Conclusion

The title of this study was Role of Internal Audit in Organizational Goal Achievement: The case of Addis Ababa City Government Revenue Authority. The research approach employed was quantitative method and the research design was descriptive type of research. The number of participants included was 46 as the study was survey related questionnaires were distributed to participants selected for the study analyzed using descriptive method.

The instruments distributed to collect data were a composition of scope and functions of internal audit, internal audit as a mechanism for goal achievement and the role of internal audit in the risk assessment process. The instruments used to describe participants' perception for which the questionnaire was constructed and customized from literatures. The methods used to analyze the data collected were using descriptive statistics, frequency and percentages. The research questions outlined in this study were accounted from the discussions and summary of findings.

- 1) Description of the data collected indicated that internal auditors were qualified and experienced to conduct efficient and effective audit. The role of internal audit is to assist the management to attain organizational goals because the planned activities were in place according to assessed and prioritize risks of operational units within the scope of management approvals. To accomplish its prioritized activities, the numbers of auditors and the reporting structure have any obstacles as the subject planned for audit was also in connection within internal audit directorate for which the purpose audit engagement check for compliance and analysis for financial viability.
- 2) Internal audit was serving the revenue authority to run smoothly because it serves as a watch to functions the overall operations through the established legal procedures considered system of internal control. In support of this the bureau of finance and economic development was also plays significant role in audit

findings follow up and application of procedures which are critical to attain the predetermined organizational goals. It was also found that the role of internal audit is both to ensure accomplishment of organizational goals in an effective and efficient manner and to evaluate risk management, control and governance processes. Although the mandate for implementation audit findings were the manager and management, internal audit initiates if corrective measure was not taken. Thus, the internal control has been serving as a means for which the overall operations of the authority were performing through this established system.

- 3) In this study it was identified that risk areas were assessed and registered to act and focus accordingly because these risks are threats that hinder organizational goal achievement and this was accomplishing by internal audit. It was also identified that the potential benefits of internal audit to the authority was to prevent error and fraud which helps the revenue authority to reduce cost and expenses that might incur due to carelessness and intentional fraud acts which guarantees safeguarding of the organization's resources important for achieving predetermined organizational goals. However, the primary objectives that internal audit is looking for was found faults and errors identification.

It is, therefore, concluded that the Role of Internal Audit in Organizational Goal Achievement in Addis Ababa city government Revenue Authority implied that the scope and functions Internal Audit, Internal audit as a mechanism of internal control and the existence of internal audit for risk assessment was found important for wise use of resources, proper application of established procedures which have a direct linkage to the organizational goal achievement. Its role made the revenue authority's overall operational activities effective and efficient important for its goal achievement.

## **5.2 Recommendations**

From analysis and interpretations of survey data and findings of the research, the following recommendations were pointed out;

- 1) Although majority of internal audit have found that they were qualified and experienced to conduct efficient and effective audit activities, some participants were also perceived the experiences of internal auditors were not to the required level. Thus, concerned bodies should better assess and provided adequate

trainings to capacitate internal auditors to help them competent and professional in their area of engagement.

- 2) The role of internal audit was assisting the management to attain organizational goals and to provide assurance about the internal control effectiveness. However, some internal auditors believed that the role of internal auditors were to observe for faults which concerned bodies have better focus and aware them that internal auditors never be a fault finder rather engaged in assisting in the overall organizational goal achievement.
- 3) From the data description it was found that there was a potential weakness in exercising audit techniques in the revenue authority. This implied that having limitations in exercising audit technique might lead 1) to overlook potential misstatements, fraud detection ability and properly evaluate the internal control system effectiveness 2) affect the uniformity and recommended stepwise procedures included under audit technique. Hence, the resources might not be safeguarded due to the effective audit technique which this may not guarantee for safeguarding of organizational resources. So, concerned bodies should better emphasize on the proper application of audit techniques to bring wise use of resources important for organizational goal achievement.
- 4) The Audit and Inspection contribution in goal achievement was found that about 42.2% respondents were perceived they simply ask for reports. Hence, out of them about 15.6% participants were internal auditors which indicated that there is a need to change the intention of asking reports but need to focus on follow up for the purpose of which whether these are implemented as the recommendations or not. Therefore, to plays their role in this regard concerned bodies should better give attentions to change this trend counting number of reports not to the sources and nature of audit findings.
- 5) In the risk assessment process, it was identified that there were expectation gap between IA and organizational goal. Hence, concerned bodies in this area should better fill this gap for thorough organizational goal achievement in terms of experience in auditing and arranging relevant training programs.

## References

- Aksoy, T. and Kahyaoglu, S. (2013) Measuring the Internal Audit Performance: Tips for Successful Implementation in Turkey, *American International Journal of Contemporary Research*, 3(4), USA.
- Ali, M. T. (2017) The impact of internal audit on organizational performance of selected Jordanian companies, *International Journal of Multidisciplinary Research and Development*, 4(8), pp. 285-289, Jordan.
- Ayele, A. (2019) Determinants of Internal Audit Effectiveness in Ethiopia: The Case of Selected Budgetary Public Sectors, Addis Ababa University, Ethiopia.
- Badara, M. S. (2012) The Role of Internal Auditors in Ensuring Effective Financial Control at Local Government Level: The Case of Alkaleri L.G.A., Bauchi State, *Research Journal of Finance and Accounting*, 3(4), Nigeria
- Badara, M. S. and Saidin, S. Z. (2013) The Relationship between Audit Experience and Internal Audit Effectiveness in the Public Sector Organizations, University Utara Malaysia
- Bubilek, O. (2017) Importance of Internal Audit and Internal Control in an organization - Case Study,
- Buregeya, P. (2007) The Role of Internal Auditing in the Organizational Performance of the Rwanda Revenue Authority (RRA), Tshwane University of Technology, Rwanda
- Crowther, J. (1995) Oxford: Advanced Learner's Dictionary, University Press, UK.
- Dahir, A. A. and Omar, N. (2016) Effects of Internal Audit Practice on Organizational Performance of Remittance Companies in Mokadishu-Somalia, *Journal of Business Management*, 2 (4), Kenya.
- Griffiths, P. (2005) Risk-based Auditing, USA.
- Hailemariam, S. (2014) Determinants Of Internal Audit Effectiveness In The Public Sector, Case Study In Selected Ethiopian Public Sector Offices, Jimma University, Ethiopia.
- Hayes, R., Dassen, R., Schilder, A. and Wallage, P. (2005) Principles of auditing an introduction to international standards on auditing, Pearson Education Limited, England.
- IIA (2012) Internal Audit Standards, U.S.A
- IIA (2016) All in a day's Work: a Look at the Varied Responsibilities of Internal Auditors, USA.
- IIA (2017) Global Perspectives: Internal Audit and External Audit, USA.

- IIA (2018) Internal auditing's role in corporate governance, Global, [www.globaliia.org](http://www.globaliia.org)
- Jameson, S. E. (2011) International Professional Practices Framework (IPPF) – Practice Guide Independence and Objectivity, The Institute of Internal Auditors at [www.guidance@theiia.org](http://www.guidance@theiia.org).
- Kapula, N. (2014) Challenges facing auditors in the practice of internal audit: the case of Morogoro district council, Mzumbe University, Tanzania.
- MoFED (2005) Internal Audit Training Module, Addis Ababa, Ethiopia.
- Mihret, D. G. (2010) Antecedents and Organizational Performance Implication of Internal Audit Effectiveness: Evidence from Ethiopia, University of Southern Queensland, Australia.
- Mire, H. A. (2016) Effects of internal control system on the organizational performance of remittance companies in Mokadishu-Somalia, Journal of Business Management , 2 (9), Jomo Kenyatta University, Kenya.
- Motubatse, N., Barac, K. & Odendaal, E. (2015) Perceived challenges faced by the internal audit function in the South African public sector: A case study of the National Treasury, Pretoria, South Africa
- Muhammad, A. A. (2016) The Role of Internal Auditors in Private and Public Organizations of Jimma Zone Selected Weredas, Ethiopia, International Journal of Scientific and Research, 6(11), Jimma, Ethiopia.
- Musyoka, S. M. (2016) Factors that influence organizational performance in the hospitality industry: a case study of Sankara Nairobi, Kenya.
- Ozuomba, C. N., Nwadiakor, E. O. and Ifureze S. M. (2016) Effective internal audit as a tool for improving institutional governance and accountability in the public sector, Advances in Applied Science Research, 7(4), pp. 1-10, Nigeria.
- Puttikunsakon, A. (2015) Best internal audit practices and achieving organizational success: an empirical examination of ISO 9000 manufacturing firm in Thailand, Mahasarakham University, Thailand
- Ramamoorti, S. (2003) Internal Auditing: History, Evolution, and Prospects, USA.
- Rittenberg, L. E. (2015) Ethics and Pressure: Balancing the Internal Audit Profession, [www.theiia.org/goto/CBOK](http://www.theiia.org/goto/CBOK).
- Saud, S. (2015) The role of Internal Audit in Organization Goals Achievements: A Security of Exchange Commission of Pakistan (SECP) Perspective, Research Journal of Finance and Accounting, 6 (24), Karlstad University, Sweden
- Saud, S. and Marchand, N. (2012) Contribution of internal audit in the achievement of corporate goals: A Case of Sweden and Pakistan, Karlstad University, Sweden.



Soltani, A. (2007) Auditing: An International Approach, England

University of Sydney (2016) Internal Audit Framework, Australia.

Whittington, O. R. and Pany, K. (2016) Principles of auditing & other assurance services, USA.

Zemichael, R. T. &Basazinev, S. T. (2010) The impact of board composition on accounting profitability of the firm - a study of large caps in Sweden'.

## Annex: Instrument

### St. Marry University

#### Dear Participants:

This study is aimed at investigating the Role of Internal Audit in Organizational Goal Achievement: the case of Addis Ababa City Government Revenue Authority. Thus, the quality of information you will provide is of great importance and basic components needed for successful accomplishment of this study.

Accordingly, you are hereby requested to fill this questionnaire and return back to the researcher of the study – Frezer Gezahagn, a student of MBA in Accounting and Finance at St. Marry University.

**Consent:** *I understand and agree to participate by providing data for this study.* Yes   
*If you don't want to participate please return the questionnaire*  
*I appreciate you cooperation!*

I. Background Information	
Name of Branch Office	<input type="text"/>
1. Sex	A. Female                      B. Male
2. Age	A. Below 25 years              C. 36 – 45 years B. 25 – 35 years                D. 46 and above
3. Your Educational Level	A. BA Degree    B. Masters    C. Other D. If other, specify
4. Your current position (department)	A. Internal Audit B. Other (Finance, Planning and Budgeting)
5. How long have you been working in this organization?	A. Less than 1 year    C. 4 – 6 years B. 1 – 3 years            D. More than 6 years
II. Functions of Internal audits	
6. Are members of internal audit team qualified for an efficient audit?	A. Yes    B. No    C. I don't know
7. Are members of internal audit team experienced to effectively execute auditing?	A. Yes    B. No    C. I don't know
8. The practical role that internal audit contributing for the branch office is .....	A. Formulate procedures in what way things have to be done B. Observing for faults C. Assisting the management to attain organization's goals. D. To provide assurance about the internal control effectiveness E. If other, specify .....
9. Are the members of the internal audit team as per the allowed stricture?	A. Yes    B. No    C. I don't know
10. Are the numbers of internal audit member enough to conduct its annual audit planned?	

A. Yes B. No C. Other .....	
11. An annual audit plan should be in place.....	
A. After approved by the management of the revenue authority. B. According to assessed and prioritize risks of operational units C. If other specify .....	
12. Does the internal audit reporting structure have a problem? A. Yes B. No C. Other .....	
13. Who decide the subject of internal audit in the revenue authority? A. Internal Audit directorate B. Internal audit team C. Management of branch office D. Management and Internal audit team E. If other, please specify .....	
14. For what purpose internal auditor reviews recorded data? A. To certify that all financial rules are exercised during the financial year or not.” B. To check for compliance and analyze for financial viability. C. If other specify .....	
<b>III. Internal Audit As a Mechanism for goal achievement</b>	
15. Do the Bureau of Finance and Economic development issuing guidance and appropriate standards for an unambiguous and clear internal audit? A. Yes B. No C. I don't know	
16. Is there any potential weakness in the exercise of audit techniques that prevent internal auditors to perform and achieve the authority goals more efficiently? A. Yes B. No C. I don't know	
17. Is it possible to run the revenue authority smoothly as per the legal requirement without internal audit? A. Yes B. No C. I don't know	
18. To what extent the audit and inspection (finance bureau) contributes in the achievement of the revenue authority goals. A. Plays significant role in audit follow up and implementation. B. Nothing they simply ask for reports C. If other specify .....	
19. What is the role of internal audit in the achievement of organizational goals? A. Ensures accomplishment of organizational goals in an effective and efficient manner. B. Evaluate risk management, control and governance processes. C. They don't have any contribution to the organizational mission D. If others specify .....	
20. Who are responsible for implementing the recommendations? A. The manager with management B. The Auditee	

<p>C. The internal audit team D. If other specify.....</p>
<p>21. To whom does internal audit report their audit findings and recommendations?</p> <p>A. To Internal audit directorate B. To managers office C. To audit and Inspection /Finance and economic bureau. D. To Audit Committee E. If other, specify .....</p>
<p>22. Does such reporting structure have a problem in implementing the recommendation (from question number 21)?</p> <p>A. Yes            B. No            C. Other .....</p>
<p><b>IV. Internal Audit in Risk Assessment process</b></p>
<p>23. Does internal audit team identified and registered the risk areas of the branch office?</p> <p>A. Yes            B. No            C. I don't know</p>
<p>24. Is there any other (than internal audit) possible way through which the authority could enhance; quick discovery of errors, stand out of frauds and also to improve organizational efficiency?</p> <p>A. Yes            B. No            C. I don't know</p>
<p>25. Is there any expectation gap between internal audit and organization goals?</p> <p>A. Yes            B. No            C. Other .....</p>
<p>26. What are the potential benefits of internal audit to your branch office?</p> <p>A. Prevents error and fraud B. Fear internal audit this helps employees from making mistakes C. No benefit to the organization simply waste of resources D. If others specify .....</p>
<p>27. Who is preferable by the branch office to audit their activities?</p> <p>A. Internal Audit B. External Audit firms C. The Addis Ababa Auditor General D. If others specify .....</p>
<p>28. What does the internal audit look for during an audit?</p> <p>A. To look for faults and errors /negative things. B. To evaluate and improve overall effectiveness and efficiency. C. To critically examine operations and makes comments for its solution. D. If others specify .....</p>
<p>29. Please select the nature of Internal Audit work</p> <p>A. Risk Management B. Advisory services C. Performance D. Improvement audits E. Compliance audits F. If other specify .....</p>

<p>30. What does the branch office expect during an audit?</p> <ul style="list-style-type: none"><li>A. Consider as a positive who are working for their improvement.</li><li>B. Fear due to fault finding considerations and punishment</li><li>C. Expect them as they are interested in “doing the thing right”</li><li>D. If others specify .....</li></ul>
<p>31. Anything that internal audit is contributing for the achievements of organizational goal?</p> <ul style="list-style-type: none"><li>a.</li><li>b.</li><li>c.</li></ul>