



**ST. MARY'S UNIVERSTY**

**SCHOOL OF GRADUATE STUDIES**

**INTERNAL AUDIT PRACTICES: CASE STUDY OF  
ETHIOPIAN INSURANCE COMPANIES**

**BY**

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**JUNE, 2021**

**ADDIS ABABA, ETHIOPIA**

**ASSESSMENT OF INTERNAL AUDIT PRACTICE IN  
ETHIOPIAN INSURANCE COMPANIES**

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## DECLARATION

I the undersigned, declare that this thesis is my original work, prepared under the guidance of Abreham Gebregiorgis (Assistant Professor). All sources of materials used for the thesis have been duly acknowledged. I further conform that thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Worku Agama

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## **ENDORSMENT**

This thesis has been submitted to St. Mary's University School of Graduate Studies for examination with my approval as a university advisor.

**Abreham Gebregiorgis**

Advisor

A handwritten signature in blue ink, consisting of stylized, overlapping letters, positioned above a horizontal line.

Signature

St. Mary's University Addis Ababa June, 2021

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## **LIST OF ACRONYMS**

IIA	Institute of Internal Auditors
IPPF	International Professional Practices Framework
IAF	Internal Audit Function
PICE	Private Insurance Companies of Ethiopia
IAS	International Auditing Standards
IA	Internal Auditors
IAA	Internal Audit Activities
MGE	Mandatory Guidance Elements
QAIP	Quality Assurance and Improvement Program
NBE	National Bank of Ethiopia
ISIA	International Standards of Internal Auditing
IIASB	International Internal Audit Standards Board
FI	Financial Institutions
SPSS	Statistical Packages for Social Scientists
ACCA	Association of Chartered Certified Accountants
CIA	Certified Internal Auditors

## **ABSTRACT**

*This paper sought to assess of internal audit practice in Ethiopian private Insurance Companies. The population consists of staffs that found at internal audit department. The research employed descriptive design. A purposive sampling technique was used and 47structured questionnaires were distributed to the respondents a target population of all internal auditors of private insurance companies. The data was analyzed using descriptive statistical, specifically mean and standard deviation. The internal auditing practice of the private insurance companies was studied in terms International Standards for the Professional Practice of Internal Auditing; attributed standard, performance standard and code of ethics. The standards were complying well by the private insurance companies. The study point out that in order to comply with the mandatory guidance elements that promulgated by IPPF, all the private insurance companies should enhance their internal audit staffs trough continuous trainings and certifications. Besides, to gain more benefit from their audit unit, they should give due consideration to satisfy the adequacy of their audit staffing and allocation of the related resources. In addition, the mandatory guidance elements of IPPF should be followed to add value and improve performance.*

**Key words:** *Internal Audit; International Professional Practices Framework; Institutes of Internal Auditors; Private Insurance Companies.*

# CHAPTER ONE

## 1. INTRODUCTION

This research contains five chapters, chapter one deals with the introduction, background of the study and attempted to put the research problem in to perspective. This chapter presented problem statement, research question, research objectives, significance, and scope of the study and limitation of the study. Chapter two deal with review of related literature on internal audit practice. Chapter three considered the methodology used. Chapter four deal with results and discussions and finally chapter five deals with summary of findings, conclusion and recommendations.

### 1.1. Background of the study

Business environment has witnessed rapid and revolutionary changes with broad impact to organizations throughout the world. As a result of this drastically developed and changed environment, the internal auditing has become a vital element in the pivotal decisions that companies taking with regards to governance, information technology, new market and product opportunities by increasing regulation, changing workplace behavior and the pace of organizational change is contributing to the increased velocity of emerging risk that can threaten business stability. In this regards, it has been argued that internal auditors have sufficient information and knowledge about companies which enable them to support companies' objectives (enabler of business performance). In addition, they served as consultants when there is a necessity to effect the collective information gained during the audit to improve the companies (proactively support the board and management to enhancing standing business process) (Shahimi et al., 2016).

The internal audit activity (hereinafter, IAA) can be regarded as an important governance *mechanism*, being an important monitoring function inside the organization. The internal audit activity has the potential to help the management to fulfill its governance responsibilities and enhance the potential to help the management to fulfill its governance responsibilities and enhance the effectiveness of other corporate governance mechanisms which consequently impact

the quality of the financial reporting as well as the firm's performance (Johl et al., 2013). The policy makers as well as many governance regulatory bodies and the stock exchange recognized that the IA has the potential to impact the corporate governance quality and the company's performance.

The IIA's Code of Ethics (2010) when it defined competency indicated that internal auditors shall perform internal auditing services in accordance with the International Standards for the Professional Practices of Internal Auditing. This reflects the importance of compliance with the standards in ensuring efficient internal audit activities and effective role as a governance mechanism. The Standards identified the roles and responsibilities of internal auditing as providing a basis for measuring performance and improving the practice of internal auditing.

According to the Ethiopian Herald (2008) insurance is one of the key pillars of the financial services sector in the world. It is also a central element of the trade and development matrix. Ethiopia has immense insurance business opportunity. The insurance sector can play a crucial role in economic development. The Ethiopian government has made a liberal policy to start the insurance business with minimum procedural follow ups. The National Bank of Ethiopia is the policy maker, regulator, and supervisor of the insurance industry in Ethiopia. The National bank has an insurance supervision department that is responsible for all insurance policy, supervision and regulation activities. This implies that the insurance supervisor is not independent from the central banks as required by the International Associations of Insurance Supervisors (IAIS).

Insurance is an important growing part of the financial sector in virtually all the developed and developing countries (Das et al., 2003). A resilient and well regulated insurance industry can significantly contribute to economic growth and efficient resource allocation through transfer of risk and mobilization of savings. In addition implementation of policy and procedures set by National bank is important to regulate insurance industry and insurance companies have audit department that follow all rules and regulation set by different bodies. Furthermore, internal auditors should pursue all the standards set by IIA to check the implementation of rules and regulation by the staff of insurance company. Due to the reason, assessment of internal audit practices in the area is important.

## **1.2. Statement of the problem**

The concept of internal auditing is contained in the definition of internal auditing as follows: an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (IIA, 2004). The definition clearly mentions the aim of internal auditing as to add value to the entity by improving the information quality for decision making. For this purpose, it needs to involve the internal auditor in all operations of the organization to create and maintain an effective internal control by providing assurance and consulting activities. These activities must be conducted in an independent and objective manner. Furthermore, the activities of an internal audit include risk management, control and governance processes that are carried out using a consultative approach and focus on efficiency and effectiveness of operations (BouRaad, 2000).

Mihret and Yismaw(2007) revealed that audit quality and management support are the two most important factors influencing IA effectiveness respectively. In addition, Belay (2007) suggested that well performing IAF is one of the strongest means to monitor and promote good governance systems in an organization.

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

A research done by Jayalakshmy et al., (2012) indicated that the internal audit in Commercial Banks within Tanzania is still embracing the conservative approach which is primarily concerned with compliance and monitoring rather than adopting value added approach, the inference of the study whereby funds are being spent on activities which do not add value to the Stakeholders implying that the audit approach employed could be the challenge by itself that can hamper the audit practice effectiveness.



Geda(2018) finds that Formal mandate and Standards for the Professional Practice, Competent staffs, Organizational independences and objectivity were contributed for the promotion of good governance in the public sectors significantly and positively. He further, reveal that the management supports of internal audit roles was positively related with the good governance but its contribution for the good governance was statistically not significance. However, the risk management and control role of internal audit was negatively related with the good governance and its contribution for the good governance was not statistically significant. Furthermore, Gelaye(2019) noted that the organization doesn't provide reasonable assurance regarding of prevention, or timely detection and correction of unauthorized acquisition, use or disposition of the entity's assets that could have a effect on the financial statements, the company auditors doesn't involve in the activities of drafting policies and there is a problem around classification of performance deficiencies. And this study tries to assess the internal audit practice of Ethiopian insurance companies.

Most internal auditors undertake their day to day internal audit activities traditionally and did not have profound Knowledge of the IPPF (Hamdu et al., 2014). Traditional/ Compliance audit is dominant in the organization studied as contrasted with value added auditing. (Mihret & Woldeyohannis, 2008).

Internal auditing was not practiced to the expectations of international standards by many private and government organizations of Ethiopia (Tigabu, 2013). However, those studies were conducted in governmental organizations and public institutions and few studies have been done on individual private insurance companies on internal audit practice exp (.Zelalem et al., 2014). This study therefore sought to investigate the internal audit practice in all 16 Ethiopian private insurance companies that are operating in Addis Ababa. Specifically, how the internal audit was practiced in related to mandatory guidance elements/ requirements of IPPF (the core principles, the definition, standards and the code of ethics) as a benchmark.

### **1.3. Objective of the Study**

#### **1.3.1. General Objectives**

The general objective of the study was to assess the internal audit practice in Ethiopian Insurance Companies.

#### **1.3.2. Specific Objectives**

- To assess the internal audit charter and the periodic revision of the charters by insurance companies.
- To assess the internal audit objectivity and independence organizationally
- To assess internal auditors professional competency and their due professional care
- To assess how the code of ethics governs the behavior of individuals and organizations in conducting audit activities.
- To assess steps of managing internal audit activities in private insurance companies.

### **1.4. Scope of the Study**

This study was focused only on private insurance companies that are operating in Addis Ababa. The study results that obtained from private insurance companies that are operated in Addis Ababa would be generalized and considered as to represent the internal audit practices in all private insurance companies. In addition to this, there were a lot of workers participated in the internal audit practices such as accountants, finance managers, end users and so on. However, because of the specific concern of the study topic, this study only considered the internal auditors.

### **1.5. Limitations of the study**

The limitation of this study is readily apparent. The generalization of the findings and the conclusions drawn is limited. Because each country either developed or developing such as: Ethiopia and sectors other than insurance has their own nature and culture. The results from a survey in other setting (country or other sector) may give different outlook. Therefore, to generalize such a result in those different settings may worth the result. Inevitably, this study has methodological flaws and limitations that could have significant effect on the quality and

reliability of findings. There is also the possibility that the internal auditors' responses may have incorporated biases or perhaps only indirectly reflected underlying beliefs and perceptions. In addition due to lack of access of secondary data the researcher limited to collect the data on questionnaire only. .

## **1.6. Significance of the study**

The study provides valuable information to the private insurance companies about the current practice of internal audit. Further, this study is initiated to generate and add some information to the existing knowledge of the relevance of internal audit that have been contributions for clear understanding of the current practice of internal audit. The study also helps to identify areas of weaknesses with constructive recommendations. Moreover, it also will serve as a starting point or reference paper for the other researchers who will be working on the same subject areas.

## **1.7. Organization of the study**

This research contains five chapters, chapter one deals with the introduction, background of the study and attempted to put the research problem in to perspective. This chapter presented problem statement, research question, research objectives, significance, and scope of the study and limitation of the study. Chapter two deal with review of related literature on internal audit practice. Chapter three considered the methodology used. Chapter four deal with results and discussions and finally chapter five deals with summary of findings, conclusion and recommendations.

# CHAPTER TWO

## 2. REVIEW OF LITRATURE

### 2.1 Theoretical review

#### 2.1.1 History of Internal Auditing

The profession of auditing in general, and internal auditing, in particular, is ancient; (Pickett,2010) It was ‘‘father of modern internal auditing’’ Lawrence Sawyer who said that word auditing comes from ancient Rome. Ancient officials were performing public and oral verification of records that was called ‘‘hearing of accounts’’. This event was later described by the term, audit’’. It derived from Latin ‘‘auditus’’ which means ‘‘a hearing’’ (K,H,2010).

The roots of internal auditing are long and profound, traces to centuries B.C. However, the birth of modern day internal auditing is perceived by many to happen with the formation of The Institute of Internal Auditors (IIA). It was established in 1941 in the United States, with first 24 members (RedingK.,2013) IIA’s fast growth, worldwide expansion, continuous research, and development fueled growth in internal audit profession.

Internal audit function started mainly as protection against fraud and asset loss. Organizations grew in size and complexity which led to their decentralization. Management needed to control efficiency of work and to ensure that no deceitful actions took place. Then first companies that realized the potential of internal auditing beyond audit of financial statements were railroad, defense, and retail industries. Quickly, internal auditing became a mean to verify all transactions and to summarize business and its activities. In this way internal audit provided further insights and ensured integrity and objectivity (Ramamoorti, 2003).

Therefore, internal audit’s role changed from typical function to a management practice. It described internal audit as ‘‘the activity which independently applies consistent procedures and inspection standards in order to assess the relevance and performance of all or part of the actions within the organization, in reference to standards’’ ( Autissier, 1998).

Establishment of IIA confirms this transformation in the internal audit function. One of the first IIA charter members Robert B. Milne describes the reason behind the Establishment of The Institute of Internal Auditors as follows: “ The institute is the outgrowth of the belief of on the part of internal auditors that an organization was needed in the structure of American business to develop the true professional status of internal auditing. Although its roots are in accountancy, its key purpose lies in the area of management control. It comprises a complete intra-company financial and operational review” (Ramamoorti,2003).

Even though, in the early years after the establishment of IIA, internal auditing was still connected with external audit. Internal auditors have still been assisting in the review of the financial statements, but the profession was developing. It can be said that it was finally established as serious and fully equipped profession in 70’s. In 1974 first Certified Internal Auditor exam was held (Theiia.org,2013).

Since 1978 all American listed companies are required to have auditing boards with three to five independent members (Autissier,1998). By that time internal audit function has also grown to include “operational” orientation that is “ control which functions by examining and evaluating the adequacy and effectiveness of other controls” (Ramamoorti,2003). Additionally, internal auditor’s importance in organization’s hi-erarchy rose as its access was depending on the relationship between the audit committee and those in charge of the organization (Ramamoorti,2003).

The definition of internal auditing, which is unchanged in the new International Professional Practice Framework (IPPF 2017) continues to articulate what internal auditing is. “ Internal auditing is an independent, objective assurance, and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process”

### **2.1.2. The Institute of Internal Auditors (IIA)**

The Institute of Internal Auditors (IIA) is an international professional association with global Headquarters in Altamonte Springs, Florida, USA. IIA was established in 1941. The IIA is the

internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education, and security. And its mission is to provide dynamic leadership for the global profession of internal auditing ; advocating and promoting the value internal audit professionals adds to organizations; providing comprehensive professional educational and development opportunities, standards and other professional practice guidance, and certification programs; researching, disseminating, and promoting knowledge concerning internal auditing and its appropriate role in control, risk management, and governance to practitioners and stakeholders; educating practitioners and other relevant audiences on best practices in internal auditing and bringing together internal auditors from all countries to share information and experiences.

## **A. Mission**

The mission of The Institute of Internal Auditors is to: Provide dynamic leadership for the global profession of internal auditing; advocating and promoting the value internal audit professionals add to organizations; providing comprehensive professional educational and development opportunities, standards and other professional practice guidance.

**Figure2.1. International Professional Practices Framework**



**Source (IIA)**

### **2.1.3. Definition of Internal Auditing**

The IIA issued an International Practices Framework (IPPF 2017) which includes the Mandatory Guidance (Definition of Internal Auditing, Code of Ethics and International Standards) and Recommended guidance for the Professional Practice of Internal Auditing ( hereafter: The Standards), Position Papers, Practice Advisories, and Practice Guide (IIA,2017). The IPPF, particularly the Standards constitute guidance for internal auditors worldwide to perform internal auditing activities in a professional manner (Whittington, 2008). The concept of internal auditing is contained in the definition of internal auditing as follows: 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). This definition of internal auditing was first officially published in June 1999 by the IIA (Nagay, 2002). The definition and the standards are the authoritative references for the internal auditor in undertaking the practice of internal audit (Abdolmohammadi, 2009). The definition clearly mentions the aims of internal auditing as to add value to the entity by improving the information quality for decision-making. For this purpose, it needs to involve the internal auditor in all operations of the organization to create and maintain an effective internal control by providing assurance and consulting activities ( Bou-Raad,2000).

#### **2.1.4. Internal Audit Standards**

Performance Standard 2100 of the International Standard for the Professional Practice of Internal Auditing (ISPPIA) (2012), mandates internal audit task and activities to evaluate and contribute to the improvement of organizational governance, risk management, and control process. Standard 2120.1A particularly requires internal auditors to assess the risk exposures of their organizations; reliability of financial and operational information; quality of operations and programs; and safeguard of the organization's assets. Attribute Standards address the attributes of organizations and individuals performing internal auditing. Performance Standards describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. Attribute and Performance Standards apply to all internal audit services.

#### **2.1.5. Professional Ethics**

The adoption of IPPF was intended to make it mandatory for internal auditors in Tanzania to conduct their audits in line with global standards and best practice. It will also make it mandatory to internal auditors to adhere to the global code of ethics for internal auditors. Code of ethics for internal auditors comprises four principles: integrity, objectivity, competency and confidentiality. Many countries have not yet adopted IPPF (The Daily News,2011). Internal auditors must act with integrity. Integrity includes, as a minimum, communicating with people in a manner that



they understand and interpret as intended by the internal auditor, and demonstrating honesty and truthfulness at all times.

## **2.1.6. Attribute Standards**

### **2.1.6.1 Audit Charter**

The internal audit charter is a formal document that defines the internal audit activities purpose, authority, and responsibility. Furthermore, this charter provides the internal audit director with the authority to carry out the department's mission. Moreover, this should be written and reviewed periodically by the internal audit department. For the credibility of the charter, it should be approved by the top management and authorized by the board of directors and its audit committee, (Burnaby, 1994).

The internal audit charter establishes the internal audit activity's position within the organizations, including the nature of the chief audit executive's functional reporting relationship with the board, authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval (IIA's2012). It may also define access to the information (documents, records, systems, and personnel) necessary to perform and reach conclusions on the work, and it is vehicle for asserting that there are no unreasonable limitations and alter to actual or potential changes on internal and external conditions that affect its ability to provide internal control assurance from a forward looking perspective (O.Regan,2002).

Different authors have been explained the presence of defined audit charter in organizations will helps auditors to be effective. For instance, O.Regan (2002) concludes that a well drafted charter is an important ingredient for the IA effectiveness. It helps to direct the efforts of audit staff and defines what the board can expect on the assurance it requires on internal control from an IA. Van peurseem (2005) added that the presence of a strong charter adds an official and respected layer of authority to the position of IA in the company. It is also an important feature insuring success in achieving the independent status of an IA. Furthermore, the existence of audit charter in organization influences senior management to follow the recommendations of the internal auditor which in turn affects IA effectiveness (peurseem, 2005).

### **2.1.6.2. Independence and Objectivity**

The IAA must be independent, and IAs must be objective in performing their work. The audit activities are the need of organizational independence and objectivity which can allow the audit activity to conduct work without interference by any party. The independence and objectivity of internal auditing is with respect to both assurance services and consulting for the organization. Independence and objectivities are closely related where the freedom from conditions that may threaten objectivity and no significant quality compromises are made during rendering the audit service (Altamonte Springs, FL. IIA, 1999a). In fact, the audit activity should have sufficient independence from those it is required to audit so that it can both conduct its work without interference and be seen to be able to do so (Institute of Internal Auditors, 2001). This is very crucial element in conducting audit because the auditors can access to any document relating to the audit work without favor and fear. This will make the auditors provide the objective report and reliable professional judgment on the auditing work to achieve the mandate given to them with integrity. Independence of auditors would not be considered to be impaired if the auditors do not appear to act in a capacity equivalent to a member of client management or as an employee (Caplan and Kirschenheiter, 1999). In certain extent there is a confusion of the role of IA as internal auditors are part of the management team and at the same time to independently evaluate management's effectiveness and efficiency (Saren and De Beelde, 2006).

### **2.1.6.3 Competence of Internal Audit Team**

IA team requires a wide range of competencies to improve organizational and department performance with a value adding role (Burnaby, 2009). Authors expressed such competency in different aspect. For instance, Baharud-din (2014) relate competence to the ability of an individual to perform a job or task properly base on the educational level, professional experience, and the effort of the staffs for continuing professional development. To this rengard, Baharud-din (2014) measure competency in terms of academic level, experience, skill, and training and development effort of IA team.

Proficiency is compulsory for internal auditors of an organization. Proficiency comprises of adequate knowledge with a minimum requirement of first degree, professional membership like institute of International Accountants (IIA) or American Institute of Certified Public Accountants

(AICPA), and certification in specific field like Certified Internal Auditor (CIA) (George,2015). Professional certification has great quality for IA team (Bou-Raad, 1999). It used to assist auditee in adding value and enhance department and organizational performance. Therefore, professionally certified internal auditors can contribute for the effectiveness of IA (Cohen,2010).

## **2.1.7 Performance Standards**

### **2.1.7.1 Managing the Internal Audit Activity**

The CAE must effectively manage the IAA to ensure it adds value to the organization. The related parameters of the standards state that the CAE must establish a risk-based plan to determine the priorities of the IAA, consistent with the organization's goals; must communicate the IAA,s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval; and must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

AS per the standard, 2040, the CAE must establish policies and procedures to guide the IAA. Regarding share of information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplications of efforts the CAE should perform actively.

The CAE must report periodically to senior management and the board on the IAA's purpose, authority, responsibility, and conformance with the Code of Ethics and the Standards, and when an external service provider services as the IAA, the provider must make the organization aware that the organization has responsibility for maintaining an effective IAA. (IPPF, 2017).

### **2.1.7.2 Nature of the work**

#### **Risk Management**

The demand for proper risk management strategies in the public sector emanates from the complexity and dynamism of the operating environment, ever-increasing needs of society coupled with general unpredictability pattern and dwindling of resources for national development. The author further notes the internal auditor's role in risk management involves assessing, Communicating the Acceptance of risk and monitoring the risk that the organization

faces, recommending the controls required to mitigate those risks, and evaluating the trade-offs necessary for the organization to accomplish its strategic and operational objectives(Asare,2009).

### **2.1.7.3 Engagement Planning**

Internal auditors must develop and document a plan for each engagement, including the engagements objectives, scope, timing, and resource allocations. In planning the engagement, internal auditors must consider: the significant risks and the means by which the potential impact if risk is kept to an acceptable level, the adequacy and effectiveness of the activity's governance, risk management, and control processes compared to a relevant framework/model, and the opportunities for making significant improvements. Sufficiency of the scope, establishment of the objective for each engagement, determining appropriate and sufficiency of resources, and developing of work programs should be must undertake by IAs.

### **2.1.7.4 Performing the Engagement**

IAs must identify, analyze, evaluate and document sufficient information to achieve the engagements objectives. They also must identify and document sufficient, reliable, relevant and useful information to achieve the engagements objectives; and base conclusions and engagement results on appropriate analysis and evaluations. Furthermore, audit engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff is developed.

### **2.1.7.5 Communicating Results**

Internal auditors must communicate the results of engagements. These communications must include the engagements objectives, scope, and results; be accurate, objective, clear, constructive, complete and timely. If a final communication contains a significant error or omission, the CAE must communicate corrected information to all parties who received the original communication. Engagements conformance is appropriate when it is conducted in conformance with the International Standards for the PPIA and supported by the results of the QAIP. However, non-conformance impacts a specific engagement, communication of engagement results must disclose the: with which full conformance was not achieved, reasons for non- conformance and its impact, the CAE must communicate results to the appropriate parties. Also when an overall opinion is issued, it must take into account the strategies, objectives, and

risks of the organization; and the expectations of senior management, the board, and other stakeholders.

### **2.1.8 History of Auditing in Ethiopia**

The importance of internal auditing in Ethiopia was formally recognized in the early 1930s by the country's first Constitution. The development of modern auditing in Ethiopia is marked after the issuance of Ministry of Finance directives in 1942, which focused on public sector fund utilization (Kinfu, 1990). This document referred to the proper collection of state revenue and the necessity for procedures to control expenditures. In 1944, another milestone occurred when a proclamation established the Commission for Audit, charged with auditing the Ministry of Finance accounts.

The development of state budget practices, an emphasis on fraud deterrence, and growth in trade and industry subsequently added impetus to the growth of the profession (Welde-Ruphael,1998). As to Lemma Argaw, the ministry of education, ministry of national defense and the ministry of finance were pioneers in implementing the internal audit practice in Ethiopia. He revealed this fact as follows. An Internal Auditing function has existed for quite a long time in Ethiopia; however, it got legal recognition in late 1980s (Lemma,2000).

The internal auditing function started in the budgetary public sector as part of internal control. However, the latter part of the 1940s witnessed the establishment of Internal Audit functions in the Ministry of National Defense, Ministry of Education, and Ministry of Finance. It was also at this time that the Internal Auditing units began to sprout in non-budgetary public sector ( public enterprises) like Ethiopia Highway Authority, Ethiopian Airlines, Ethiopian Telecommunications, and financial sector that formed the modern layer of the National Economy. Perhaps the most direct impact on the current status of internal auditing in Ethiopia came from another important document issued in 1987, Proclamation No.13 (Welde-Ruphael,1998). Moreover, Proclamation No. 68/1997 requires that, the Federal Democratic Republic of Ethiopia's (FDRE) new economic policy be supported by a modern and reliable audit system in order to ascertain proper implementation through effective monitoring of administrative, developmental and service rendering institutions in the Federal Public Sector (Zelege, 2007).

## 2.2 Empirical Review

Study by (Hergazy and Marwa, 2016), Internal audit practices and standards: External and internal auditor's perceptions on compliance in an emerging economy. Survey based on questionnaires sent to the internal auditors and the external auditors of the Egyptian listed firms registered in the Egyptian Institute of Director of corporate governance on 2010. The result reveal that significant levels of variation in the responses concerning usage and compliance with Professional Practices standards of the internal and external auditors. Standards 1100 "Independence and objectivity" and " 2100 Nature of work" show variations in relation to compliance among survey respondents while Standards 1300, "Quality Assurance and Improvement Program" respondents indicated high levels of non-compliance. The findings provide evidence that there are no minimal qualifications level required to appoint the internal auditors and low levels of interactions between the internal auditors and the external auditors.

Study by (Alzeban and Sawan, 2013), revealed that it was confirmed by all interviewees that whilst internal auditors have their own separate departments in the organizational structure, these departments, nonetheless, operate under the administrative leadership of lower level managers, internal audit report to the same level in which they are placed in the organizational structure, a significant gap between the theoretical and the actual reporting structures, also interviews a result indicated two other main causes of the restricted access faced by internal auditors in respect of their ability to meet with personnel and to obtain the relevant information needed to fulfill their duties. Furthermore, (Alzeban and Sawan, 2013), observed that even when the internal audit was located at a relatively senior managerial level, it might still be subject to pressure from more highly placed management Simultaneously, top level managers control organizational resources which they may withhold to prevent an in-depth investigation by internal auditors of a matter which they do not want to be probed. Also (Alzeban and Sawan, 2013) noted that some other reasons for the challenge to the independence of internal audit emerged as being the relationship between auditees and auditors. In addition (Alzban and Sewan,2014) shown that the internal audit activities had not expanded beyond the traditional audit of financial regularity and compliance; and that the primary work of internal audit continues to focus on the traditional roles of internal audit in terms of concentrating of financial records and compliance with procedures and regulations.

Geda(2018), The role of internal audit practice to promote good governance in public institution of Ethiopia: The case of Jimma zone primary data was obtained through the administration of structured questionnaire to purposively selected respondents comprising internal auditors and managers' from 14 werda and 2 town administrations of finance and economic development offices that are expected to represent all other sectors. A total of 132 respondent participated in the study. Data obtained was analyzed using correlation analysis and multiple regressions technique. According to the regression output Formal mandate and Standards for the Professional Practice, Competent staffs, Organizational independences and objectivity were contributed for the promotion of good governance in the public sectors significantly and positively. The management support of internal audit roles was positively related with the good governance but its contribution for the good governance was statistically not significance. However the risk management and control role of internal audit was negatively related with the good governance and its contribution for the good governance was not statistically significant.

Gelaye(2019), reveal that the organization doesn't provide reasonable assurance regarding of prevention, or timely detection and correction of unauthorized acquisition, use or disposition of the entity's assets that could have a effect on the financial statements, the company auditors doesn't involve in the activities of drafting policies and there is a problem around classification of performance deficiencies. Based on this finding the researcher recommends that the organization should give attention regarding to these problems and try to overcome in cooperation with the employees in order to perform a quality audit inspection within the organization.

The study conducted by Tigabu (2013) the research entitled ‘ ‘ Internal audit practices in the Ethiopian Financial sector, as compared to the International Professional Practicing Framework (IPPF) pronounced by the IIA’ ’, to compare the existing internal audit practices in the Ethiopian financial sector by taking the framework as a benchmark. The financial sector in Ethiopia comprises of banks, insurance companies and microfinance institutions. A mix of sample was taken from all and the research deployed three data collection methods: questionnaires, interview and document review. The results of the research revealed that the current practices of internal audit activities (IAAs) in the Ethiopian financial sector did not comply with the IPPF guidelines that promulgated by those financial institutions that can make their internal audit practices head

towards the level of being IPPF complaint. The research recommended that the current IAAs in the Ethiopian financial sector should comply with IPPF to make them value adding in the areas of risk management, internal control and governance. It was also recommended that those institutions need to introduce quality assurance and improvement programs, internal/external and or periodic/ ongoing, to periodically review and improve the quality of their IAAs. (Tigabu, 2013).

Tsegaye(2018), conducted a research on, the internal audit practices in private commercial banks of Ethiopia with a general objective of assessment of internal audit practice. The research was focused on five private banks that selected by using purposive sampling technique. The qualitative data types were applied in the study. And the data were collected by using questioners and document review. The result reveled that, the current practices of internal audit in private Commercial Banks of Ethiopia through taking the Mandatory Guidance requirements of the IPPF should be kept up and goes to the sound conformance level by all elements. And lastly, it was attached with poor/ below the expectation/ conformance, the Quality Assurance and Improvements Program (QAIP) standard. The researcher recommended that the existing inadequate conformance have to make improvements program (QAIP)standard; should be carried out properly by all private Commercial Banks of Ethiopia were the given ways to curve all unsatisfactory conformances of the mandatory guidance requirements by private commercial banks of Ethiopia.

### **2.3 The Research Gap**

Most internal auditors undertake their day to day internal audit activities traditionally and did not have profound Knowledge of the IPPF (Hamdu et al., 2014). Traditional/ Compliance audit is dominant in the organization studied as contrasted with value added auditing. (Mihret & Woldeyohannis, 2008).

Internal auditing was not practiced to the expectations of international standards by many private and government organizations of Ethiopia (Tigabu, 2013). However, those studies were conducted in governmental organizations and public institutions and few studies have been done on individual private insurance companies on internal audit practice ex.(Zelalem et al., 2014). This study therefore sought to investigate the internal audit practice in all 16 Ethiopian private



insurance companies that are operating in Addis Ababa. Specifically, how the internal audit was practiced in related to mandatory guidance elements/ requirements of IPPF (the core principles, the definition, standards and the code of ethics) as a benchmark.

## **CHAPTER THREE**

### **3. RESEARCH METHODOLOGY**

#### **3.1. Research Design**

According to Mutai (2001), research design refers to the procedures to be employed to achieve the objectives of the research. The research design constitutes the blueprint for the collection, measurement and analysis of data (Cooper and Schinder, 2007). For the purpose of this study the researcher used descriptive design, because the researcher had no control or effect on the variables of the study. It was intended only to describe the internal audit practice in related to mandatory guidance elements/requirements of IPPF (the core principles, the definition, standards and the code of ethics) in Ethiopian private insurance companies operating in Addis Ababa. In this respect, therefore, the study adopted the descriptive survey design.

#### **3.2. Research Approach**

There are three alternative strategies of inquiry: qualitative, quantitative and mixed approaches. In order to achieve the research questions stated in the previous section, the researcher used both qualitative and quantitative approach (mixed approach) in collecting and analyzing data as discussed in the following section. The selection of one over the other approach for the conduct of the study is based on the research problem (issue or concern that needs to be addressed), the researcher's own personal experience and the will and support of the audiences (Creswell, 2009).

#### **3.3 Target Population**

The target population of the study was directed to all internal auditors of private insurance companies that have been currently operating in Ethiopia.

#### **3.4 Sampling Size and Sampling Techniques**

All Ethiopian insurance companies do not have internal auditors in a branch level and therefore, population unit which refers to the staff of IAD of Ethiopian insurance companies. For meaningful analysis, there is no need to sample from (National Insurance Company of Ethiopia=5, Nile Insurance Company S.C.=6, Oromia Insurance Company=5, Ethiopian

Insurance Corporation=4, Nyala Insurance S.C=3, Africa Insurance Company=5, Awash Insurance Company=5, Global Insurance Company=1, Lion Insurance Company=7, Nib Insurance Company=6, The United insurance Company=2, Abay Insurance Company S.C=2, Birhan Insurance Company S.C=1, Tsahey Insurance Company S.C=1, Lucy Insurance Company S.C= 1, Buna Insurance Company S.C=1 total 55 internal audit staffs as they are already few in numbers to collect data). Even though the populations are existed and spread over different area this bring difficulty of reaching in short time. Therefore, only those questionnaires distributed to managers and internal auditors of Ethiopian insurance companies.

### **3.5 Type and source of Data**

Both qualitative and quantitative data will be used in the study. Furthermore, the sources of data were primary and secondary. Developing and distribution of questionnaires to the concerned Insurance (auditors) was the primary and major source of data gathering instrument. The secondary data collected through review of documents. This technique is the means of gathering data to make the study rich in information. As written information, it also saves the researcher time in addition of expanding the information (Yin, 2003). It is also used by prior IA researchers (Abu-Azza, 2012; Mihret, et al., 2010). This method of data collection adopted to gather data from documents held in those insurance companies in relation to IA. So, IA reports, plans, programs, working papers, organizational chart, IA department chart, and legislation rule documents were review.

### **3.6 Method of Data collection**

The study was used primary and secondary data collection methods. The primary source of data was from Internal Auditors through questionnaire distribution. To gather data through questionnaire, the Likert scale model (5-rating scale) was used by the researcher and the questioner was adopted from previous studies (Woldesenbet, 2019) and the required secondary data were collected from IA reports, plans, programs, working papers, organizational chart, IA department chart, and legislation rule documents were review.

### **3.7 Methods of Data Analysis**

After the data are collected, the following activities on data processing have been carried out. The raw data are converted into suitable form for analysis and interpretation. This is achieved through sequences of activities including editing, coding, entry, and tabulation. The objectives are to check the completeness, internal consistency and appropriateness of the answers to each of the questions. Finally, an analysis progress are developed using Statistical Package for Social Science SPSS version (20.0). The analyzed data had been described and summarized by using the descriptive statistics methods by measure of central tendency (mean) values, frequency, percentage, measure of central dispersion (standard deviation). Finally, the results of the study were presented by using tables, figures and charts, etc.

# CHAPTER FOUR

## 4. Results and Discussion

### 4.1. Introduction

This chapter consists of two major sections. The first section highlights regarding the reliability analysis. The second section presents the output data via using the SPSS and its results. The final section, section three, views an exhaustive discussion and analysis on data that was collected through using 47questioners.

### 4.2. Reliability Analysis

In a likert-scale questionnaire measuring the consistency or reliability of the questionnaire is essential. Reliability analysis has been in use in prior IA researches those adopt likert-scale questionnaire (Mihret, et al, .2010; George, et al., 2015). To measure such a reliability analysis, Cronbach''s Alpha ( $\alpha$ ) is the most common measure of reliability scale. If a reliability analysis, ( $\alpha$ ) greater than 0.6 is acceptable (Cronbach's, 1951).According to Field, (2009) a reliability analysis value for ( $\alpha$ ) greater than 0.7 is very acceptable. Based on table 2, the reliability analysis value for Cronbach''s Alpha ( $\alpha$ ) of this study shows that 0.721 for all variables. Therefore, the responses generated from all variables in this study were acceptable (reliable) for data analysis.

**Table 1, Reliability Statistics**

Cronbach's Alpha	N of Items
0.721	51

### 4.3. Discussion of Data from Questionnaire Results

The following section presents respondents profile in terms of gender, age, and education, current position, membership to professional associations, work experience as internal auditor in years; and finally about internal audit staffing of their internal audit department/unit.

### 4.3.1 Demographic information

**Table 2 Gender profile**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	34	72.3	72.3	72.3
	Female	13	27.7	27.7	100.0
	Total	47	100.0	100.0	

Source: Questionnaire results 2021.

While reviewing the gender mix of the respondents it could be summarize that 34 respondents having 72.3% were male and the remaining 13 female respondents shared 27.7% of the ratio. The analysis results reflected that the internal auditors genders mix in the private insurance companies were male and female and out of it, the lion share, 72.3%, was represented by male auditors. Therefore, the female internal auditors' participation in the sector was low.

**Table 3. Age profile**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 30 years	14	29.8	29.8	29.8
	30-40 years	24	51.1	51.1	80.9
	40-50 years	7	14.9	14.9	95.7
	Above 50 years	2	4.3	4.3	100.0
	Total	47	100.0	100.0	

Source: Questionnaire results 2021.

Age profile of the respondents was summarized in to four groups. The lion share was taken by 24 respondents that possessed 51.1% of the total having 30-40 years. The remaining 23 respondents in total took 48.9% and share; 14 respondents having ages below 30 years possessed 29.8%, 7 respondents having ages in between 40-50 possessed 14.9% and 2 respondents having years above 50 years possessed 4.3% respectively.

Majority of the respondent auditors' age ranges fall in between 30-40 years (24 auditors having 51.1% share). This reflected that greater part of the internal audit activity was undertaken by more productive and well matured aged internal auditors. The next share was taken by (29.8%) internal audit staffs having below 30 years (Younger).

**Table.4 Educational level profile**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	BSC/BA	40	85.1	85.1	85.1
	MSC/MA/M BA	7	14.9	14.9	100.0
	Total	47	100.0	100.0	

Source: Questionnaire results 2021.

It could be understood from the foregoing table that the respondents' educational level was categorized into two: majority respondents that bearing Degree were 40 in number and possessed 85.1% and 7 respondents that bearing Masters were shared 14.9% of the total. To summarize the educational profile of the respondent internal auditors of private insurance companies into two: The significant share was possessed by Degree holders and the remaining share by Master holders. Accordingly, the existing merge of educational level of respondent auditors in private insurance companies was good and could enhance the auditors to undertake their day to day internal audit activities well.

**Table.5 Any Certification Related to the Profession**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No related certification	47	100.0	100.0	100.0

Source: Questionnaire results 2021.

All of 47 respondents were not possessed related certificates like ACCA and CIA certificates. While discussing the results of the above table, all auditors have been exercising the audit profession without having any related certification. It was contrary to the audit standard no. 1200- Proficiency and due professional care. Based on the results, the existing internal auditors of the private insurance companies did not support their profession by the related adequate trainings and professional certifications.

**Table.6 Total years of audit experience including the current position**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 years	15	31.9	31.9	31.9
	5-10 years	22	46.8	46.8	78.7
	11-15 years	7	14.9	14.9	93.6
	Above 15 years	3	6.4	6.4	100.0
	Total	47	100.0	100.0	

Source: Questionnaire results 2021.

The respondents' years of experience regarding the audit profession were grouped into four parts. The majority share, 46.8%, was covered by 22 respondents that had 5-10 years of audit experience. 15 respondents that had below 5 years of audit experience possessed 31.9% and



followed by 7 respondents who had 11-15 years of audit experience by taking 14.9% share. The least share, 6.4%, was possessed by 3 respondents who had ample experience in the profession above 15 years.

46.8% of the total respondents have five to ten years of audit related experiences including the current position in the company. This result reflected that the lion share of audit staffs of the private insurance companies have been possessed by well experienced internal auditors. The following giant share, 15 respondents (31.9%), was taken by internal auditors who have below five years of audit related experiences. The least share 6.4%, three internal auditors who have total years of audit related experiences above 15 years. This age group might be named as a group that was represented by highly experienced audit staffs.

**Table.7 Respondents’ opinion regarding their internal audit staffing**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Poorly staffed	6	12.8	12.8	12.8
	Moderately staffed	31	66.0	66.0	78.7
	Adequately staffed	10	21.3	21.3	100.0
	Total	47	100.0	100.0	

Source: Questionnaire results 2021.

31 respondents that attained 66% of the total percentage responded their internal audit department/ unit staffing was moderately staffed 6 respondents that possessed 12.8% answered that their audit department/unit poorly staffed and the remaining 10, by taking 21.3% share percentage, responded that their audit department/unit had staffed adequately. With the exception of ten respondents’ that possessed 21.3% share of the total, and believed that their internal audit staff strength was adequate; the remaining respondents’ opinions regarding their internal audit staff strength was revealed as inadequate and responded by 37 respondents’ that possessed the

total share of 78.8%. This result stood against the international auditing standard, managing the internal audit activity- Resource management standard no.2020.

### 4.3.2 Compliance with the International Auditing Standards

This section presents the current practices of internal audit in private insurance companies in Ethiopia against the conformance level with the IPPF mandatory guidance elements: the revised standards for the professional practice of Internal Auditing (that was released by the Internal Audit Standards Board and effective January 2017) and the code of ethics.

#### 4.3.2.1 Attribute Standards Compliance Analysis

##### A. Statements regarding internal audit charter

**Table.8 Internal Audit Charter**

	N	Minimum	Maximum	Mean	Std. Deviation
1. Internal audit activity's purpose, authority and responsibility are formally defined in an internal audit charter.	47	3.00	5.00	3.9362	.32332
2. Internal audit charter is periodically reviewed and presented to senior management and the board for approval.	47	1.00	4.00	2.9787	.70678
3. The mandatory nature of the core principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standard and the Definition of Internal Auditing are recognized in the charter	47	3.00	5.00	3.9574	.41480
Valid N (listwise)	47				

Source: Questionnaire results 2021.

Q1. It could be understood from the respondents' results that the internal audit charter in their organization encompassed and well defined the Internal Audit Activity (IAA) purpose, authority and responsibility by the mean value 3.9. The perception of the responding auditors regarding the standard was taken as considerable and represented as by the standard deviation value less than 1. It indicates that the perception of the respondents differed one from another.

Q2. The respondents' (internal auditors) results revealed that the internal audit charter of private insurance companies was not reviewed periodically and presented to the senior management and the board for approval; believed as inadequate and exhibited by the mean value 2.9. The internal auditors' perception was presented by the standard deviation value less than 1 and it could be considered as there was a differed perception among each other.

Q3. Majority of internal auditors that participated in responding the questionnaire regarding the standard, the recognition of mandatory guidance elements in the audit charter; were believed and demonstrated its well conformance within their insurance companies by the mean value 3.9 and the standard deviation value less than 1 respectively.<sup>1</sup>

The analysis results revealed regarding the entire internal audit charter related standards that their conformance level within private insurance companies was considered as good and it also replied by the organization' internal auditors. Moreover, defining of the internal audit activities in detail, setting the audit scope, nature including recognizing the mandatory guidance requirements of the IPPF were also briefed and documented in the respective private insurance companies.

## B. Statements Regarding Internal Audit Objectivity and Independence

**Table.9 Internal Audit Objectivities and Independence**

<b>Descriptive Statistics</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
4. There is a dual reporting relationship were by the chief audit executive (Head of audit) report functionally to the board (Audit committee) and administratively to the chief executive officer	47	3.00	5.00	3.9574	.41480
5. Where the chief audit executive has or is expected to have roles and/or responsibilities that falls outside of internal auditing, the related safeguards are in place to limit impairments to independence or objectivity.	47	1.00	5.00	3.2766	.85216
6. Internal auditors have an impartial, unbiased attitude and avoid any conflict of interest.	47	3.00	5.00	3.9149	.40806
7. If independence or objectivity is impaired in fact or appearance the detail of the impairment disclosed to appropriate parties of the organization.	47	2.00	5.00	3.7872	.62332
Valid N (listwise)	47				

Source: Questionnaire results 2021.

Majority of internal auditors that replied regarding the internal audit objectivity and independence standard conformance within their organizations believed was well and it was supported by the average mean values, 3.73. Also the variance in perception among internal auditors that responded for the standard represented as low by the average standard deviation value, 0.57. Which means the standard is healthy complied fairly with the standard.

The analysis results exhibited that the standards conformance; the relationships among the CAE and the CEO including the board, and regarding the internal auditors impartial, unbiased attitude; were responded by the private insurance companies internal auditors as healthy in their respective companies. However, the remaining one standard conformance level namely; where the CAE has or is expected to have roles that fall outside of internal auditing, the related safeguards are in place to limit impairments to independence or objectivity, and if independence and objectivity is impaired in fact or appearance, the details of the impairment disclosed to appropriate parties of the organization, were addressed by the private insurance companies as inadequate and needs improvements.

### C. Statements Regarding the Internal Audit Staff Proficiency and Due Professional Care

**Table.10 Internal Audit Staff Proficiency and Due professional Care**

<b>Descriptive Statistics</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
8. Internal auditor's possess the knowledge, skill and other competencies needed to perform their individual responsibilities.	47	2.00	5.00	3.8936	.52062
9. Internal auditors always apply the care and skill expected of a reasonably prudent and competent internal auditor.	47	2.00	5.00	3.4894	.90583
10. Internal auditors enhance their knowledge, skill and other competencies through continuing professional development.	47	1.00	5.00	3.5106	.90583
Valid N (listwise)	47				

Source: Questionnaire results 2021.

It could be observed from the foregoing table that majority of internal auditors from the private insurance companies regarding the compliance level of the standard, the internal audit proficiency and due professional care, within their organization replied as well by the average mean values of 3.63. Furthermore, the average standard deviation value of 0.78 was reflected as a variation in perception among internal auditors and it was considered as low in value.

According to the analysis results, the respondent internal auditors of the private insurance companies reflected regarding the standard; the internal audit staff proficiency and due professional care, conformance level within their insurance companies as healthy. Related to the standard, particulars, internal auditors possessed the skill, knowledge and competencies to perform their internal audit activities and enhanced their proficiency through continuous developments, were witnessed and responded by the private insurance companies' internal auditors.

**(A-C) Summary of Attributes Standards Conformance Level**

**Table11. Summary of Attributes Standards Conformance**

N	Valid	47
	Mean	3.67
	Std. Deviation	0.6

Source: Questionnaire results 2021.

The aggregate conformance level of the attributes standard by the private insurance companies could be represented by the mean 3.67 and the standard deviation 0.6 values. The results reflected that the standards did not adequately comply with the private insurance companies. The variance in perception among respondent auditors was low (0.6). According to the above four standards that represented the attributes standards in general, the conformance level within the private insurance companies could be represented as inadequate it needs further improvement.

### 4.3.2.2. Conformance with Performance Standards

#### D) Statements Regarding Managing the Internal Audit Activity

**Table12. Managing the Internal Audit Activity**

Descriptive Statistics	N	Minimum	Maximum	Mean	Std. Deviation
11. While developing the risk based-audit plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organization’s strategies, key business objectives, associated risks, and risk management process.	47	2.00	5.00	3.9362	.52768
12. The chief audit executives communicate the internal audit activities plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.	47	2.00	5.00	3.9787	.60754
13. The chief audit executive insures that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.	47	2.00	5.00	3.7660	.72869
14. The chief audit executive establishes policies and procedures to guide the internal audit activity.	47	2.00	5.00	3.6809	.75488
15. The chief audit executive shares information, Coordinate activities and consider relying up on the work of consulting service providers to insure proper coverage and minimize duplication of efforts.	47	3.00	5.00	3.9787	.48854
16. The chief audit executive reports periodically to senior management and the board on the internal audit activities purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standard	47	2.00	5.00	3.7872	.54916
Valid N (listwise)	47				

Source: Questionnaire results 2021.

Majority of the internal auditors believed that the IAAs were well managed in their respective Insurance companies as per average mean values for the above table 13 shows 3.85. Moreover, the average standard deviation value 0.6 revealed that the respondents internal auditor's perception variation regarding the activity as low (represented by the average standard deviation value 0.6) it indicated that the respondent's perception were close to one another. Whereas reviewing the analysis results of the questionnaire, managing the IAA standard conformance level within the private insurance companies fair. While developing the risk-based audit plan, the CAE, consults the senior management and the board; reports periodically on IAA's plan and performance; and also the CAE establishes policies and procedures to guide the IAA components of the standard were fairly complied within the private insurance companies as revealed by the internal auditors respond for the questionnaire.



## E. Statement Regarding Nature of the Work

**Table13. Nature of the work**

<b>Descriptive Statistics</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
17. The internal audit activity assesses and makes appropriate recommendations to improve the organization's governance processes.	47	2.00	5.00	3.8723	.44804
18. The internal audit activity assesses and makes appropriate recommendations to improve the organizations governance processes.	47	2.00	5.00	3.9362	.43759
19. The internal audit activity assists the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continues improvements.	47	3.00	5.00	3.9787	.44180
Valid N (listwise)	47				

Source: Questionnaire results 2021.

It could be seen from the foregoing table regarding the standard, nature of the work, a significant share were taken by internal auditors that responded that the standard was finely complied within their respective private insurance companies by 3.93 average mean values. The variation in perception among internal auditors that participated in filling the questionnaire was low and represented by the average standard deviation value 0.44

The analysis results witnessed that the respondent internal auditors of the private insurance companies replied for the questionnaire that related to the standard, nature of the work, its well conformance and awareness within their internal audit activities. These three pillars of the standard, assessment of the organization's corporate governance, evaluation of the risk

management process and assisting in maintaining effective internal control system in the organization activities were well done by internal audit units of the private insurance companies.

## F. Statements Regarding Engagements Planning Standards

**Table14. Engagements planning standards**

<b>Descriptive Statistics</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
20. In planning the audit engagement, internal auditors consider: The strategies and objectives of the activity being reviewed, the means by which the activity controls its performance, the significance risks, resources, the adequacy and effectiveness of activity governance, risk management and control processes and etc.	47	3.00	5.00	3.8723	.57548
21. Objectives established for each audit engagement concerning reflecting the results of the assessment, the probabilities of significant errors, fraud, noncompliance, and other exposures.	47	2.00	5.00	3.8085	.53724
22. The established scope is sufficient to achieve the objective of the engagement: it includes consideration of relevant systems, records, personnel and physical properties and others.	47	3.00	5.00	3.9574	.55000
23. Internal auditors determine appropriate and sufficient resources to achieve engagement objectives based on the nature and complexity of each engagement, time constraints, and available resources.	47	2.00	5.00	3.9574	.72103
24. Internal auditors develop and document work programs that achieve the engagement objectives (work programs include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement).	47	2.00	5.00	3.9574	.58820
Valid N (listwise)	47				

Source: Questionnaire results 2021.

The above table described that majority of internal auditors believed and replied the conformance level of the standard within their respective private insurance companies as adequate by average mean values, 3.91. The variance in perception among internal auditors that participated in the study was exhibited by the average standard deviation value of 0.594 and

taken as low. Regarding the engagements planning standard, the average mean results of its five components replied by the internal auditors as adequate.

### G. Statements Regarding Performing the Engagements (Field work) Standards

**Table15. Performing the Engagements**

<b>Descriptive Statistics</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
25. Internal auditors Identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.	47	2.00	5.00	3.8511	.50985
26. Internal auditors base conclusions and engagement results on appropriate analysis and evaluation.	47	3.00	5.00	3.9149	.40806
27. Internal auditor's document: Sufficient, reliable, relevant, and useful information to support the engagement results and conclusions. In addition appropriate supervision evidences are part of the documentation.	47	2.00	5.00	3.8511	.46526
28. Audit engagements are properly supervised to insure that objectives are achieved, quality is assured and staff is developed.	47	2.00	5.00	3.9149	.71717
Valid N (listwise)	47				

Source: Questionnaire results 2021.

As the above table presented, majority of internal auditors replied and confirmed regarding the standard, performing the engagement, for its quality (its conformance within their organizations) as good by 3.88 average mean values. Besides, the variance in perception among auditors was low and symbolized by the average standard deviation value 0.525 in aggregate.

According to the analysis results, the conformance level of performing the engagements standard was good and it reflected the well conformance within the private insurance companies. Basically, in relation to the three pillars of the standard: internal auditors identify, analyze and document sufficient, reliable, relevant and useful information to support the engagement results and conclusions conformance level within the private insurance companies were considerably witnessed by the respondent auditors.

## H. Statements Regarding Communicating Results (Reporting) Standards

**Table16. Performing the Engagements**

<b>Descriptive Statistics</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
29. Communications includes the engagements, objectives, scope and results.	47	3.00	5.00	3.8723	.44804
30. Communications are accurate, objective, clear, concise, constrictive, complete and timely.	47	2.00	5.00	3.8723	.61209
31. While a final communication contains a significant error or omission, the chief audit executive communicates the corrected to all parties who received the original communication.	47	3.00	5.00	3.9149	.65374
32. Engagements are conducted with the International Standards of Internal Auditing and it is supported by the result of the quality assurance and improvement programs.	47	3.00	5.00	3.9149	.61960
33. When nonconformance with the Code of Ethics or the Standards impacts a specific engagement, the result disclose with which full conformance was not achieved, the reason and its impacts.	47	3.00	5.00	3.7447	.64160
34. The chief audit executive review and approve the final engagement communication before issuance and for deciding to whom and how it will be disseminated.	47	2.00	5.00	3.8936	.66705
35. When an overall opinion is issued, it takes in to account the strategies, objectives, and risks of the organization; and the expectation of senior management, the board, and other stakeholders.	47	3.00	5.00	4.0851	.45825
Valid N (listwise)	47				

Source: Questionnaire results 2021.

It could be understood from the above table that majority of internal auditors of the private insurance companies believed that standards of communicating results were well complied within their companies by 3.9 average mean values. In the meantime, the variance in perception of the auditors regarding the standard was low and identified by the average standard deviation value, 0.585

The analysis results regarding the reporting standard reflected its well conformance within the private insurance companies and basically in relation to the significant portion (components) of the standard as mentioned hereunder: communications include the engagements’ objectives, scope and results; communications are accurate, clear, concise, constructive, complete and timely; the CAE review and approve the final engagement communication before issuance; and when the overall opinion is issued, it taken into account the strategies, objectives and risks of the organization including the expectations of the stakeholders.

## I. Statement Regarding Monitoring Process (Follow-up) Standards

**Table17. Monitoring progress**

<b>Descriptive Statistics</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
36. The chief audit executive establish a follow up process to monitor and ensure that management actions have been effectively implemented or that senior management accepts the risk of not taking action.	47	2.00	5.00	3.6383	.67326
Valid N (listwise)	47				

Source: Questionnaire results 2021.

The above table that produced by SPSS regarding monitoring progress standard disclosed that majority of respondent internal auditors of the private insurance companies believed that the mentioned standard was moderately exercised and its result was supported by the standard

deviation, 0.67 value that calculated in relation to the variance in perception among the responding internal auditors and relatively it was taken as low in figure. The analysis result revealed that the follow-up standard conformance level within the private insurance companies was inadequate and it needs further improvements.

**J. Statements Regarding the Acceptance of Risks Standards**

**Table18. Acceptance of Risks**

<b>Descriptive Statistics</b>	N	Minimum	Maximum	Mean	Std. Deviation
37. When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization he or she discusses the matter with senior management	47	3.00	5.00	3.9362	.70416
Valid N (listwise)	47				

Source: Questionnaire results 2021.

According to the results that reflected by the above table, a significant number of internal auditors regarding the standard, acceptance of risks, conformance level within their respective private insurance companies believed adequate by the average mean values, 3.93. In addition, the variation in auditors’ perception shown as low as per the standard deviation value 0.7 based on the respondent internal auditors reply it could be discussed that the acceptance of risks standard conformance level within their companies were good.

### **(D-J) Summary of Performance Standards Conformance Level**

**Table19. Summary of Performance Standards Conformance Level**

N	Valid	47
	Mean	3.88
	Std. Deviation	0.575

Source: Questionnaire results 2021.

The aggregate result of the above table regarding the performance standards revealed that the standard were well (fairly) complied within the private insurance companies by the average mean value of 3.88; and the variance in perception among the respondent auditors was low and presented by the average standard deviation, 0.575, values.

According to the entire performance standards analysis results, it could be understood that the standards awareness and adherence to within the private insurance companies was fairly reflected and we responded by the respective internal auditors of the companies.

### **(A-J) Summary of Attributes and Performance Standards Conformance Level**

**Table20. Summary of Attributes and Performance Standards Conformance Level**

N	Valid	47
	Mean	3.826
	Std. Deviation	0.584

Source: Questionnaire results 2021.

While the viewed to the total standards conformance (the attributes and performance standards) level within the private insurance companies, it could be summarized as inadequate and exhibited by 3.82 average mean values. The average standard deviation value of the result

reflected as low and represented by the number 0.582; that showed the variance in perception among the respondents.

The analysis results of the entire standards (attributes and performance) conformance level within the private insurance companies was revealed by an average mean value of 3.82 and it stood below the acceptance (agree, 4.00) level. Even though, the aggregate results stood below the fair value, certain components of the standards was complied well by these companies.

#### 4.3.2.3. Conformance with the Code of Ethics

**Table21. Conformance with the Code of Ethics**

<b>Descriptive Statistics</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
38. The integrity of internal auditors establishes trust this provides the basis for reliance on their judgment.	47	2.00	5.00	3.8723	.57548
39. Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.	47	3.00	5.00	3.8723	.49418
40. Internal auditor 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.	47	3.00	5.00	3.9574	.46426
41. Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.	47	2.00	5.00	3.8723	.79720
Valid N (listwise)	47				

Source: Questionnaire results 2021.

The foregoing table revealed that majority of internal auditors considerably accepted and replied the compliance of the ethical frameworks within their private insurance companies by an average



mean value of 3.89. While the standard deviation value, 0.582, was revealed and witnessed that the variance of perception among internal auditors was low. The ethical frameworks (code of ethics) conformance level within private insurance companies was healthy and acceptable.

### **The Aggregate Results of Total Standards and the Code of Ethics Conformance**

**Table 22. The Aggregate Results of Total Standards and the Code of Ethics Conformance**

N	Valid	47
	Mean	3.83
	Std. Deviation	0.583

Source: Questionnaire results 2021.

The aggregate results as shown above revealed that the mandatory guidance elements (all the standards and the code of ethics) conformance level by the private insurance companies could be summarized as well (healthy) and witnessed by the average mean and standard deviation values of 3.83 and 0.583 respectively.

While discussing the final results of the analysis in relation to the aim of the study, to assess the internal audit practices by taking the mandatory guidance requirements (elements) of the IPPF as a benchmark, the conformance level of these requirements within the private insurance companies were inadequate and evidenced by the average mean values of 3.83 ( the aggregate results stood below the acceptance level (agree,4.00) and needs further improvements to fairly stand at the side of international auditing standards acceptance level.

## **CHAPTER FIVE:**

### **5. Summary, Conclusions and Recommendations**

#### **5.1. Introduction**

This chapter presents summary of the findings, conclusions and recommendations that were drawn based on the results of the responses from questionnaires.

#### **5.2. Summary of Major Findings**

- ❖ Out of 47 respondents that were participated in responding the research questionnaire all are not possessed the related certificates to the profession like ACCA, CIA and others. Hence, the results clearly reveled that all internal auditors in private insurance companies have been conducting their Internal Audit Activities (IAA) through experiences without acquiring adequate trainings through continuing professional development.
- ❖ With the exception of few respondents ( 10, 21.3%) that responded about the adequacy of their audit staffing, majority of the respondents from the private insurance companies replied that their audit departments/units did not staffed adequately ( 37 respondents replied; moderately and poorly staffed)
- ❖ The aggregate results that reflected by attributes standards show that the private insurance companies did not adequately comply with the standards by average mean and standard deviation values 3.67 and 0.6 respectively. Since the conformance level was below fair/well, it did not satisfy the International Auditing Standard(IAS)between agree and strongly agree; 4 and 5
- ❖ While the aggregate conformance with all performance standards reflected that the private insurance companies familiarized well and witnessed by the average mean value 3.88 respectively. The variance in perception among the respondent auditors was taken as low by average standard deviation value, 0.575; However, the quality level was not as much as satisfactory (between agree and strongly agree; 4and 5).
- ❖ The conformance level by private insurance companies regarding the overall mandatory guidance requirements (standards and the code of ethics) was exhibited as healthy by

average mean value of 3.83 respectively. The perception among internal auditors could be taken as low by 0.583 average standard deviation value. However, the quality level was not as much as satisfactory (between agree and strongly agree; 4 and 5) it needs further improvement to satisfy the requirements and standards of IIA.

### **5.3. Conclusion**

In order to ensure sound corporate governance and internal control system, in every organization, the existence of internal audit plays a vital role. Nowadays, the internal audit profession is under a dynamic and continuous improvement. Hence, the general objective of this study was to assess the internal audit practice in Ethiopian private insurance companies: by taking the mandatory guidance elements of IPPF (the revised standards of internal auditing and the code of ethics) as a bench mark. By using data that was collected through using the primary source: the self-administrated questionnaire; the internal audit practices of the insurance companies was analyzed and the related conclusions were drawn as follow.

The internal auditing practice of the private insurance companies was studied in terms attributed standard, performance standard and code of ethics. In terms of attribute standard regarding internal audit charter the gathered result reveled that all audit charter related standards compliance level within the private insurance companies was believed and responded by the participants as healthy except periodic review of the charter and presented to senior management and the board for approval was not satisfactory and it needs farther improvement. Regarding objectivity and independence about compliance level at the private insurance companies were well implemented. Except whether the Chief Audit Executive has or is expected to have roles that fall outside of internal auditing the related safeguards are in placed to limit impairments to independence or objectivity did not adequately comply by the private insurance companies. Regarding the internal audit staff proficiency and due professional care the entire three questionnaires that derived from the given standard were replied and exhibited by the internal auditors as adequately complied within the private insurance companies.

In terms of performance standard regarding managing the internal audit activity, nature of the work, engagements planning, performing the engagement, communicating results, monitoring

progress and acceptance of risks all the related response revealed that the standard was finally complied within the private insurance companies.

In terms of code of ethics regarding integrity, Objectivity, Confidentiality and Competency the gathered result revealed that all code of ethics related standards compliance level within the private insurance companies was believed and responded by the participants has healthy.

#### **5.4. Recommendations**

The well and satisfactory conformance regarding the mandatory guidance elements of IPPF that previously exercised inadequately by private insurance companies have to be regularized and make improvements until it satisfy the needs of all stakeholders particularly the companies that established the internal audit department/unit through adding value and improve companies performance. Especially in areas: The internal audit independence and objectivity and periodic review of internal audit charter.

In addition to that, in order to comply with the mandatory guidance elements that promulgated by IPPF, all the private insurance companies should enhance and update their internal audit staffs trough continuous trainings and certifications. Besides, to gain more benefit from their audit department/unit, they should give due consideration to satisfy the adequacy of their audit staffing and allocation of the related resource.

#### **5.5 Recommendation for Further Studies**

This research focused on assessing the internal audit practices in Ethiopian insurance companies by restricting only on primary data (Questionnaire). The researcher recommends a similar study in Ethiopian insurance companies by considering secondary data to get comprehensive as well as further inputs on the topic.

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## Appendixes

### Annex- A. Questionnaire for Internal Auditors

Worku Agama, Master of Business (MBA) - Accounting and Finance

Telephone: 0910155668, 0989753089

E-mail: [worku\\_agama@yahoo.com](mailto:worku_agama@yahoo.com)

Dear Sir/Madam:

The enclosed questionnaire is designed to gather information about internal audit practices in Ethiopian insurance companies. The questionnaire has been sent to all internal audit department/unit staffs who are working in the Ethiopian insurance companies. The information you provide in response to the questionnaire will be used as part of the data needed for the study- The Assessment of Internal Audit practices in Ethiopian insurance companies, by taking the revised standards of internal auditing (that was released by the Internal Audit Standard Board effective January 2017) and the code of ethics as a benchmark.

The study is being conducted as part of the undersigned researcher's study for the degree of Master of Business in Accounting and Finance at St. Mary's University. The results of the study are expected to contribute to the understanding of internal audit practices in Ethiopian insurance companies and as well as add value to the development of the profession in Ethiopia. Please note that there is no need of writing your name on the questionnaire. I would like to assure you that the information you provide will be treated as strictly confidential and your participation in this study is greatly valuable. Your honest and thoughtful responses are highly appreciated.

With best Regards,



**In your organization.....**

**I. Attribute Standards**

<b>Code</b>			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1.</b>		<b>A. Statements regarding internal audit charter</b>					
1.1	Audit charter	Internal audit activity’s purpose, authority, and responsibility are formally defined in an internal audit charter.					
1.2	Audit charter	Internal audit charter is periodically reviewed and presented to senior management and the board for approval.					
1.3	Recognizing Mandatory Guide	The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standard and the Definition of Internal Auditing are recognized in the charter.					
<b>2</b>		<b>B. Statements regarding internal audit objectivity and independence</b>					
2.1	Organizational Independence	There is a dual reporting relationship whereby the chief audit executive (Head of audit) report functionally to the board (Audit committee) and administratively to the chief executive					
2.2	CAE Roles Beyond Auditing	Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, the related safeguards are in place to limit impairments to independence or objectivity.					

2.3	Individual Object	Internal auditors have an impartial, unbiased attitude and avoid any conflict of interest.					
2.4	Impairment to Independent or object	If independence or objectivity is impaired in fact or appearance the detail of the impairment disclosed to appropriate parties of the organization					
3		<b>C. Statements regarding the internal audit staff proficiency and due professional care</b>					
3.1	Proficiency	Internal auditor’s posses the knowledge, skill, and other competencies needed to perform their individual responsibilities.					
3.2	Due professional care	Internal auditors always apply the care and skill expected of a reasonably prudent and competent internal auditor.					
3.3	Continuing professional development	Internal auditors enhance their knowledge, skill, and other competencies through continuing professional development					
<b>II. Performance standards</b>							
4		<b>E. Statements Regarding managing the internal audit activity</b>					
4.1	Planning	While developing the risk based-audit plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organization’s strategies, key business objectives, associated risks, and risk management process.					

4.2	Communication and Approval	The chief audit executives communicate the internal audit activities plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.					
4.3	Resource Management	The chief audit executive insures that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.					
4.4	Policies and procedures	The chief audit executive establishes policies and procedures to guide the internal audit activity.					
4.5	Coordination's and Reliance	The chief audit executive shares information, Coordinate activities and consider relying up on the work of consulting service providers to insure proper coverage and minimize duplication of efforts.					
4.6	Reporting to the senior Mgt & the board	The chief audit executive reports periodically to senior management and the board on the internal audit activities purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards					
5		<b>F. Statements regarding nature of the work</b>					
5.1	Governance	The internal audit activity assesses and makes appropriate recommendations to improve the organization's governance processes.					
5.2	Risk Management	The internal audit activity assesses and makes appropriate recommendations to improve the organizations governance processes.					

5.3	Control	The internal audit activity assists the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continues improvements.					
6		<b>G. Statements regarding engagements planning</b>					
6.1	Planning Considerations	In planning the audit engagement, internal auditors consider: The strategies and objectives of the activity being reviewed, the means by which the activity controls its performance, the significance risks, resources, the adequacy and effectiveness of the activity’s governance, Risk management, and control processes and etc					
6.2	Engagement Objectives	Objectives established for each audit engagement concerning reflecting the results of the assessment, the probabilities of significant errors, fraud, noncompliance, and other exposures.					
6.3	Engagement Scope	The established scope is sufficient to achieve the objective of the engagement: it includes consideration of relevant systems, records, personnel and physical properties and others.					
6.4	Engagement Resource	Internal auditors determine appropriate and sufficient resources to achieve engagement objectives based on the nature and complexcity of each engagement, time constraints, and available resources.					
6.5	Engagement work program	Internal auditors develop and document work programs that achieve the engagement objectives (work programs include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement).					

7		<b>H. Statements regarding performing the engagement</b>					
7.1	Identifying Information	Internal auditors Identify, analyze, evaluate, and document sufficient information to achieve the engagement’s objectives.					
7.2	Analysis and evaluation	Internal auditors base conclusions and engagement results on appropriate analysis and evaluation.					
7.3	Documenting information	Internal auditor’s document: Sufficient, reliable, relevant, and useful information to support the engagement results and conclusions. In addition appropriate supervision evidences are part of the documentation.					
7.4	Engagement Super vision	Audit engagements are properly supervised to insure that objectives are achieved, quality is assured and staff is developed.					
8		<b>I. Statements regarding communicating results</b>					
8.1	Criteria for communication	Communications includes the engagements, objectives, scope and results.					
8.2	Quality of communication	Communications are accurate, objective, clear, concise, constrictive, complete and timely.					
8.3	Errors	While a final communication contains a significant error or omission, the chief audit executive communicates the corrected to all parties who received the original communication.					
8.4	Conformance with standards	Engagements are conducted with the International Standards of Internal Auditing and it is supported by the result of the quality assurance and improvement programs.					

8.5	Disclosure of non-conformance	When nonconformance with the Code of Ethics or the Standards impacts a specific engagement, the result disclose with which full conformance was not achieved, the reason and its impacts.					
8.6	Disseminating Results	The chief audit executive review and approve the final engagement communication before issuance and for deciding to whom and how it will be disseminated.					
8.7	Over all opinion	When an overall opinion is issued, it takes in to account the strategies, objectives, and risks of the organization; and the expectation of senior management, the board, and other stakeholders.					
9		J. Statements regarding monitoring progress					
9.1	Establishing Follow up process	The chief audit executive establish a follow up process to monitor and ensure that management actions have been effectively implemented or that senior management accepts the risk of not taking action.					
10		K. Statements regarding the acceptance of risks					
10.1	The Acceptance of	When the chief audit executive concludes that					
		<b>III. Code of ethics</b>					
11.1	Integrity	The integrity of internal auditors establishes trust this provides the basis for reliance on their judgment.					
11.2	Objectivity	Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.					



11.3	Confidentiality	Internal auditor 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.					
11.4	Competency	Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.					

If you have any additional competent regarding the topic, please specify-----  
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