

## **The Effectiveness of Internal Audit in the Public Sector: The Case of Addis Ababa No. 2 Medium Taxpayers Branch Office.**

**Ruth Chane, St. Mary's University**

### **Abstract**

The overall objective of this study is to assess the effectiveness of the internal audit in the public sector, in the case of Addis Ababa no.2 medium taxpayers branch office. Its emphasis is on the capability and independence of internal auditor, the contribution of the IA charter to the effectiveness of the team, and the contribution of the IA team to make sure the employees compliance with rules and regulations, and the effectiveness of the internal control of the organization. The population of the study is the 113 employees (13 teams) including the branch managers who work in the branch office plus 16 employees who work in the headquarters' internal audit team. The researcher used both primary and secondary data collection methods to achieve the research objectives. 132 self-administrated structured questionnaires were distributed to the parties mentioned above and 123 questionnaires were filled and returned. In addition to that, open ended questions interview was conducted with the branch manager, the branch's internal audit team head, and the head quarter internal audit team head. In order to analyze both the qualitative and quantitative data, mixed descriptive design was used. According to the results of the study, it showed that the respondents agreed with moderate presence of competency, low level of independence of IA team from management, moderate to high level of success on the effectiveness of the internal audit charter in improving the IA team's effectiveness, and moderate to very low level for the IA team contribution to increasing compliance of the employees to rules and regulations and improvement of the internal control system. Furthermore, the interview that was conducted also supported these points. Accordingly, the study recommended the following measures to be taken by the organization. Since the study indicated there is a significant influence by the management, the concerned parties should make sure appropriate mechanisms are in place. On the other hand, to improve the competency of the IA team, continuous trainings and sufficient human resource and budget should be allocated. In addition, the concerned party must put a mechanism like training in which all the teams have good understanding of the internal audit charter. Finally, since it is observed from the study that the proportion of the audit type and the department in which the audit is done is not as comprehensive as stated in the charter, the audit team should include in its plan more departments and more types of audits in order to insure the teams' compliance with rules and regulations and the internal control effectiveness.

**Keywords:** Internal Audit, Public sector, and Effectiveness of Internal Audit

### **1. Introduction**

#### **1.1 Background of the Study**

Internal auditing as a profession evolved steadily with the progress of management science after World War II (Ramamoorti, 2003). With the implementation in the United States of the

Sarbanes–Oxley Act of 2002, the profession's exposure and value was enhanced, as many internal auditors possessed the skills required to help companies meet the requirements of the law (Paulo, 2010). Even though Ethiopian kings also had some sort of traditional tax collection mechanism, the institution was modernized and was established during the 1920s G.C as an organization (Yimenu, 2016). In any place where there is business, it is inevitable that we will find some kind of fraud and intentional and unintentional poor money management practice, and to dictate and avoid these problems there is no better choice than to hire competent auditors who abide by their professional ethic. Marques and Rodriguez (2016) stated that auditing not only is an essential management tool for achieving effective control in both public and private organizations but it is also important as a means to promote governance, enhance recognized efficiency, and promote public services.

Effective government and public sector play the most important role in the development of a country. Ethiopia is one of the least developed countries in the world ranking 94<sup>th</sup> in the transparency and corruption out of 130 countries, according to the annual corruption perception index prepared by Berlin based transparency international (Transparency international, 2020), which puts it on the list of one of the most corrupted countries in the world. Recanatini (2013) stated that how widespread corruption is in a country and the level of poverty the country is in goes hand in hand and corruption does exacerbate and promote poverty in a country. For this research, the researcher has chosen a public institution, The Addis Ababa revenue Authority, specifically Addis Ababa no.2 Medium Taxpayers Branch Office, which is an entity responsible for collecting taxes and duties owed to Ethiopian government in the vicinity of Addis Ababa area from those whose annual income is in the range of five hundred thousand to one million Ethiopian birr.

The authority was formerly under Ethiopian Finance Bureau, which then got its name changed to Ethiopian Revenue and Gumruk Authority. The revenue authority that we know today came into existence on 14 July 2008 G.C, by the merger of the ministry of Revenue, Ethiopian Customs Authority and Federal Inland Revenue Authority. The main aim of the merger was to provide the basis for modern tax and customs administration and to be much more effective and efficient in keeping and utilizing information. The main services the institution provides are collecting revenue from customs duties and domestic taxes and on top of that the institution has the responsibility to protect the society from adverse effects of smuggling. Regarding the tax collection, the institution both in federal level and regional levels collects tax by dividing the tax payers in to three categories, the Category “A” are those taxpayers that have an annual gross income of Birr 1,000,000 or more, Category “B” taxpayer are those having an annual gross income from birr 500,000 to 1 million and lastly the Category “C” taxpayers are those people, including companies, having an annual gross income of less than Birr 500,000. In order to work effectively and efficiently the institution is classified into the federal revenue authority and regional revenue authorities. On top of that, Addis Ababa and Dire Dawa each have their own Revenue Bureaus and cover the cost of their respective administrative zones by themselves. Addis Ababa revenue Bureau is structured according to the schedule, with 1 central Bureau for category A tax payers and four sub branches as Addis Ababa Brach 1 Bureau, Addis Ababa Brach 2 Bureau (which the

student researchers are choosing to conduct their study on), Merkato 1 Brach Bureau and Merkato 2 Brach Bureau for category B tax payers, and 11 Bureaus in each respective kebeles for category C taxpayers.

## **1.2 Statement of the Problem**

Goodson (2012) indicated that internal audit oversight addresses whether public sector entities are doing what they are supposed to do and serves to detect and deter public corruption. Insight assists decision-makers by providing an independent assessment of public sector programs, policies, operations, and results. Ethiopia ranks 94 out of 180 countries in Transparency International's 2020 Corruption Perceptions Index (Transparency International, 2020). Even though this shows a significant improvement from previous years, it still indicates how much corruption is prevalent in the country. Corruption negatively affects the on-going poverty reduction program and democratization processes of the country (Ali, 2015).

A the survey conducted by Selam Development Consultants, assisted by JGAM donors in collaboration with the Federal Ethics and Anti-Corruption Commission, revealed, Ethiopia's Customs and Revenue Authority as the most corrupt government office followed by the construction permit and land administration offices. The survey result also showed that lack of evidence to convict the culprits, lack of actions against those who commit corruption and the lack of proper internal control that should have been put in place to detect and prevent corruption as being the top reasons why the organization is hard hit by corruption scandals (Tsegaye, 2015).

The Addis Ababa City Government Revenue Authority has collected 18.4 billion birr during the first six months of the Ethiopia's current year (Addis Ababa revenue authority, 2021). The amount of tax money that is collected by the organization and the reasons mentioned above have made the organization one of the most corruption prone and in need of effective internal audit.

Based on the preliminary study the student researchers have conducted, it has been found that the Management interference with the works of the auditors both direct and indirect, which opposes international standard on auditing's audit standard 16, which states in the case of an audit engagement it is in the public interest and, therefore, required by the IESBA Code, that the auditor be independent of the entity subject to the audit. In addition, based on the preliminary interview the student researchers have conducted with the internal audit team, it has been discovered that internal auditing also is handicapped by a critical shortage of appropriately trained and skilled internal audit professionals. Most of the auditors are usually recruited from finance departments. On top of that, the lack of appropriate rotation every five years that is required by international auditing and assurance standards board will immensely have effect on the appropriateness of the works done by the audit team. Also internal audit being handicapped by poor internal control that is prone to manipulation even by the auditors themselves and the lack of proper preparation of trainings and seminars to update the knowledge of the auditors have been observed during the preliminary studies.

Thus, in view of the realization of full value of effective internal auditing, even though it's a matter of considerable debate, little to no study has been done to assess effectiveness of internal audit in Addis Ababa revenue and custom authority. In addition to the student researchers' interest in the topic of internal audit, and to achieve the research objective and to test the research questions, it is the above mentioned evidence that motivated the student researchers to assess by examining the internal audit practices in order to assure whether its quality is maintained in the Addis Ababa no.2 medium tax payer branch office or not.

### **1.3 Basic Research Questions**

Based on the statement of the problem that was found during the preliminary study, the student researchers have mainly come up with these research questions that have been investigated and answered during the main research;

1. To what extent is the internal audit activity and its objectivity independent from management influence?
2. How capable is the auditor's team both in human resource and capacity qualifications in conducting the required internal audit?
3. How effective is the internal audit in ensuring the degree of compliance with the rules and regulations?
4. To what extent does the presence of approved internal audit charter in the public sector offices contribute to the internal audit effectiveness?
5. How effective is the audit team in ensuring the internal control system's effectiveness in improving the performance of the institution?

### **1.4 Objective of the Study**

#### **1.4.1 General Objective**

The overall objective of this research is to examine the effectiveness of the internal audit team in the public sector specifically in Addis Ababa revenue authority's Addis Ababa no.2 medium tax payers' branch office.

#### **1.4.2 Specific Objectives**

Based on the general objective, the following specific objectives are developed:

- ✓ Examine the level of independence auditors have from the management and the objectivity of the auditors;
- ✓ Evaluate how effective the audit team is both in human resource and capacity qualification;
- ✓ Evaluate the effectiveness of the internal audit team in ensuring the degree of compliance of the works done by the employees viz-a-viz the rules and regulations of the organization;
- ✓ To Assess the effectiveness of the audit team in ensuring the effectiveness of internal control in the institution; and
- ✓ To examine the contributions of the approved internal audit charter in improving the effectiveness of the internal audit team.

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

The benefits this research paper will provide are vast, from benefiting the student researchers, to being the basis on which future researchers may conduct their research on. Starting from its advantage to the student researchers themselves, in addition to helping the student researchers fulfill the requirement for senior research II, the research paper will give them more insight on the topic of internal audit which they will use in their future profession. Since the student researchers want to work as internal or external auditors after finishing their studies, this research paper will help the students tremendously to get practical knowledge on the audit works and to understand to some extent how effectiveness can be achieved. Furthermore, from the literature review the student researchers have conducted, the amount of research done on internal audit particularly on the internal audit of the Addis Ababa revenue authority is so insufficient, especially considering the fact that the institution being highly prone to corruption. So, in addition to the benefit this research project provides to the student researchers themselves, it will also help other researchers who want to do their research paper on internal audit effectiveness in the public sector especially on Addis Ababa revenue authority, as a source of resource. They can also use this research paper and follow the steps the student researchers have taken to verify this research, or if a mistake is found they can use the research paper and all the information it has provided to come up with a better recommendations and solution. Other researchers can also extend the findings that have been achieved, in other spheres like internal control.

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

The scope of this study is limited to assessing the effectiveness of internal audit in the case of Addis Ababa no.2 medium taxpayer's branch office. Due to financial, time and the pandemic issue, the study is limited to that specific area. So the research project's geographical scope is mainly limited to this branch, but the student researchers have also went to the Addis Ababa revenue authority's headquarters to enquire about the performance of the internal auditors since quarterly performance evaluation on the internal auditors of the branch offices are done by the headquarter.

### **1.7 Limitations of the Study**

Since there is not enough research done on the topic, especially the assessment of internal audit effectiveness in the public sector in the case of Addis Ababa revenue authority, it will be very difficult to find adequate resources to conduct the research easily. And the other limitation is it will be somehow very difficult to access some of the relevant information needed because of the timing the research was done which was close to the tax collection period, in which the institution's employees are busy.

## **2. Research Design and Methodology**

### **2.1 Research Design**

The research paper is conducted with the final objective of examining the effectiveness of the internal audit team in Addis Ababa no 2. Medium tax payers branch office. To achieve this

objective, and since the research topic that was chosen needs the blend of both qualitative and quantitative approaches, and the gathering of both numeric information and non-numeric information, the student researchers have chosen the mixed method for the research design. In order to answer the research questions stated above, the student researchers have used both qualitative and quantitative approach (mixed approach) in collecting and analyzing the data. In addition, in order to show accurately the characteristics of the particular situation, the student researchers have used descriptive research method. According to Kothari (1998), descriptive research method is preferred because it is appropriate to analyze both the quantitative and qualitative data. Moreover, Abbas (2017), elaborates that descriptive methods are widely used to obtain data useful in evaluating present practices and in providing a basis for decision-making.

## **2.2 Population**

The population of the study is the Addis Ababa no.2 branch which is composed of 15 teams. The 13 internal auditor audits out of the 15 teams are the population of this study. Since the institution that was chosen by the student researchers has 15 teams, and 13 teams out of the 15 teams have direct significance to the study, to eliminate any sampling error that may occur, census method has been chosen.

## **2.3 Sources of Data**

The source of data is both primary and secondary. The student researchers have determined that collecting from both primary and secondary data sources will help in the accomplishment of the research's general and specific objectives. Both qualitative and quantitative data were needed to construct a holistic view of the topic and to fully understand the effectiveness of the internal audit team in the respective scope that was mentioned.

- ✓ The primary source of data the student researchers have used primarily are the 12 teams (111 employees) that are audited by the internal audit team, the internal audit team itself, the manager and deputy directors of the specific branch, and the general audit team found in the Addis Ababa revenue authority headquarters.
- ✓ The secondary source of data the student researchers used are mainly past researches and documents related to the topic. Specifically, the student researchers have collected criteria's, rules and standards of the international auditing and assurance standard board (IAASB), criteria's rules and standards of the institution Addis Ababa revenue authority itself, annual and quarterly auditing reports, articles, journals and other important documents and reports.

## **2.4 Data Collection Instrument**

The student researchers have used primary data collection method to collect the necessary information needed in order to come to a conclusion on the effectiveness of internal audit in Addis Ababa no.2 medium tax payers' branch office. Specifically, in person questionnaire and interview has been used in this research. The student researchers have prepared the questions based on the information that was collected during the preliminary studies and the extensive literature review they have conducted. The secondary data collection method is in

depth literature review and reference of documents related to the research topic. This data have been collected from the Addis Ababa no.2 medium tax payers' branch office, Addis Ababa revenue authority's headquarters and other relevant and credible sources.

## **2.5 Method of Data Analysis**

Since the student researchers have collected both quantitative and qualitative data, quantitative and qualitative data analysis methods have also been used. According to Kothari (1985) Qualitative data is usually subject to manipulation since the interviewee will usually try to give an appropriate answer that is based on social desirability, also the data may be affected by the social interaction between the interviewer and interviewee' and lastly, it may be affected by the preconceived expectation of the interviewer. Knowing all the above points, the student researchers have structured and conducted the interview in an objective manner as much as possible. The method of data analysis they have used for the quantitative data is descriptive statics. Finally, the collected data has been edited, organized and tabulated.

## **3. Research Presentation, Analysis and Interpretation**

### **3.1 Introduction**

The main attempt of this chapter of the study is, to investigate the assessment of internal audit effectiveness in the public sector: in the case of Addis Ababa no.2 medium taxpayers' branch office by describing the research findings and their discussions. Therefore, this chapter presents the presentation, analysis and interpretation for research findings obtained from the questionnaires and interviews conducted by the research students.

### **3.2 Response Rate**

132 questionnaires were distributed to the top level managers, the internal auditors found at the head quarter and the branch offices, and the 13 teams that are audited by the internal audit team. 123 respondents have filled and returned the questionnaires, giving a response rate of 93.18%. This shows a good response rate both for the top level managers, internal auditors and other teams of the organization. Efforts were made to recover the remaining questionnaires, but due to time constraint, the student researchers were unable to recover the remaining questionnaires.

### **3.3 Questionnaires Analysis**

#### **3.3.1 Characteristics of population**

##### ***3.3.1.1 Demographic Characteristics of the Respondents***

In the following Table 3.1, the demographic information of respondents is presented. These include age, the level of education and work experience of the respondents. To get information on these issues the respondents were asked a structured question and their responses are presented and analyzed as follows. Table 3.1 shows that, from the total number of the respondents 67 (54.47%) are male and the rest 56 (45.53%) are female. This implies that both genders were involved in the data collection phase and thus the finding of the study

did not suffer from gender bias.

**Table 3.1: Demographic Features of the Respondents**

	Items	Options	Frequency	Percentage
1	Gender	Male	67	54.47
		Female	56	45.53
		Total	123	100
2	Age	18-25	34	27.64
		26-35	39	31.71
		36-45	26	21.14
		Above 45	24	19.51
		Total	123	100
3	Field of study	Accounting	51	41.46
		Management	24	19.51
		Economics	18	14.63
		Others	30	24.39
		Total	123	100
4	Educational background	Diploma	27	21.95
		BA degree	65	52.85
		MA degree	29	23.58
		PHD degree	2	1.63
		Others	0	0
		Total	123	100
5	Work experiences	<5 years	42	34.15
		5-10 years	39	31.71
		10-15 years	25	20.33
		Above 15 years	17	13.82
		Total	123	100
6	Current position	Branch manager/ deputy director	4	3.25
		The headquarter audit team member	14	11.38
		Team head	14	11.38
		Team member	91	73.98
		Total	123	100

Source: Primary Data, 2021

The study requested the respondents to indicate their age category, and, 34 (27.642%) of them are between 18-25 years, 39 respondents (31.707%) are between the ages of 26-35 years, 26(21.14%) of the respondents are between the age range of 36-45, and finally 24(19.51%) of the respondents are above 45 years. The educational background distributions of the respondents shows that most of the employees have educational qualification of 65(52.85%) Bachelor's degree and 29(23.58%) respondents are MA degree holders. In addition when we come to the respondents field of study, the majority of the respondents 51(41.46%) and 24(19.51%) have an accounting and management educational background, respectively. This shows that the respondents can handle the questionnaire on the topic of



internal audit effectiveness to a satisfactory level and have a knowhow of the subject matter addressed in the study.

As can be seen on item 5 of Table 3.1, the researchers tried to include in their research different employees who have different work experience and exposure to internal audit practice and, 42(34.15%) respondents have less than 5 years of experience, 39(31.71%) have experiences of 5-10 years, 25(20.33%) have 10-15 years of experience and finally 17(13.82%) of the respondents have more than 15 years of work experience. This variance in work experience shows that the data collected is inclusive. Finally, the study requested respondents to indicate the position they hold in the organization and the study revealed that 4(3.25%) of the respondents are working in top level management as branch managers and deputy directors, 14(11.38%) of the respondent indicated that they are heads of their respective teams. On the other hand, 91(73.98%) of the respondents are currently employed as team members of the various teams of the organization, and the rest 14(11.38%) are working in the headquarters internal audit team as audit team members

### **3.3.1.2 Work Position**

As can be seen on table 3.2, the respondents belong to respectively internal audit team 4(3.25%), tax decision 6(4.88%), tax declaration 12(9.76%), complaint examining team 4(3.25%), tax collection 10(8.13%), debt control 6(4.88%), plan and budget team 6(4.88%), tax revenue money 10(8.13%), tax audit work team 11(8.94%), tax intelligence and examining team 6(4.88%), purchase and finance 11(8.94%), internal resource control and general service 12(9.76%), HR and employees' supervision team 6(4.88%), headquarters general audit team 15(12.20%) and finally the branch manager and deputy directors 4 ( 3.25%) of the whole respondents. The data being collected from different teams of the organization that have some degree of relationship with the audit team increases the reliability of the findings of the questionnaires to a great extent.

**Table 3.2: Working Position**

<b>Item</b>	<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Department	The branch's Internal audit team	4	3.25
	Tax Decision	6	4.88
	Tax Declaration	12	9.76
	Complaint Examining Team	4	3.25
	Tax Collection	10	8.13
	Debt Control Team	6	4.88
	Plan And Budget Preparation	6	4.88
	Tax Revenue Money Team	10	8.13
	Tax Audit Works Team	11	8.94
	Tax Intelligence And Examining Team	6	4.88
	Purchase And Finance Team	11	8.94
	Internal Resource Control And General Service Team	12	9.76
	Human Resource & Employee Works Supervision Team	6	4.88
	Headquarters General Audit Team	15	12.20
	The branch manager & deputy directors	4	3.25

	Total	123	100
--	-------	-----	-----

Source: Primary Data, 2021

### 3.3.2 Presentation, Interpretation and Analysis of the Respondents' Response

In this section, the student researchers analysed the current problem for Addis Ababa revenue authority's medium tax payers Addis Ababa No.2 branch office's internal audit team objectivity and independence in accordance with the objective stated in the research.

The respondents' replies to the question, "The management directly and indirectly influences the outcome of the audit report," is based up on the data found and presented in the Table 3.3 no 1, 18 or 14.36% of the respondents strongly agreed with the management having direct and indirect influence on the outcome of the audit report. While 49 or 39.84% of the respondents stated that they agreed with the statement, 22(17.89%) stated that they are undecided. On the other hand, 19 respondents or (15.45%) of the whole respondents stated that they disagreed with the statement and 15 respondents (12.19%) stated that they strongly disagree with the statement.

**Table 3.3: Independence and Objectivity of Internal Auditors**

No	Item	Options	Frequency	Percentage
1	The management influences the audit report	Strongly agree	18	14.63
		Agree	49	39.84
		Undecided	22	17.89
		Disagree	19	15.45
		Strongly disagree	15	12.19
		Total	123	100
2	Management oversees employment decision	Strongly agree	35	28.46
		Agree	47	38.21
		Undecided	5	4.06
		Disagree	23	18.7
		Strongly disagree	13	10.56
		Total	123	100
3	IA is independent in gathering, evaluating and communicating information.	Strongly agree	22	17.88
		Agree	25	20.32
		Undecided	9	7.31
		Disagree	41	33.34
		Strongly disagree	26	21.15
		Total	123	100

Source: primary data, 2021.

The respondents' reply to the question, "The top level management oversees employment decisions in internal audit," is as shown in the Table 3.3 no 2, 35 respondents or 28.46% of the respondents stated that they strongly agree with the statement. 47 respondents or 38.21% stated that they agree, while 5 respondents or 4.07% selected the undecided option. On the other hand 23 respondents (18.69%) stated that they disagree with the statement and 13 respondents (10.56%) stated that they strongly disagree.

Finally, the respondents' replies to the close ended question, "Internal auditors of the enterprise show professional objectivity and in no way are influenced by the management in gathering, evaluating and communicating information about the activity or process being examined," is as it can be observed from the Table 3.3 no 3, 22 (17.89%) strongly agree with the statement that internal auditors of the enterprise show professional objectivity and in no way are influenced by the management in gathering, evaluating and communicating information about the activity or process being examined. 20.33% or 25 of the respondents stated that they agree, while 4 (3.25%) respondents selected the undecided option. On the other hand 46 respondents (37.39%) stated that they disagree with the given statement and 26 respondents (21.15%) strongly disagreed with the statement.

### 3.3.2.2 Auditors' Capability

**Table 3.4: Auditors' Capability**

No	Item	Options	Frequency	Percentage
1	The IA has sufficient human resource	Strongly agree	14	11.38
		Agree	17	13.82
		Undecided	21	17.07
		Disagree	48	39.02
		Strongly disagree	23	18.69
		Total	123	100
2	The internal audit team has sufficient budget	Strongly agree	22	17.88
		Agree	32	26.02
		Undecided	9	7.318
		Disagree	39	31.70
		Strongly disagree	21	17.07
		Total	123	100
3	IA understands the performance level and adequately evaluates, recommends and follows up the action plan	Strongly agree	29	23.57
		Agree	43	34.96
		Undecided	3	2.44
		Disagree	37	30.08
		Strongly disagree	11	8.94
		Total	123	100
4	The standard audit procedures were implemented during the preparation of the audit report	Strongly agree	27	21.95
		Agree	54	43.90
		Undecided	7	5.69
		Disagree	19	15.45
		Strongly disagree	16	13.01
		Total	123	100

Source: primary data, 2021

In this section of the research paper, the student researchers analysed the capability of the internal audit team found in Addis Ababa revenue authority's medium tax payers Addis Ababa No.2 branch office in accordance with the objective stated in the research. The respondents' replies to the question, "The internal audit team has sufficient human resource to conduct the needed annual audit reports," is based up on table 3.4 no 1, from the overall respondents 14(11.38%) of the respondents strongly agree with the statement and believe that

the internal audit team has sufficient human resource to conduct the needed annual audit reports and 17(13.82%) of the respondents stated that they agree with the statement while 21(17.07%) of the respondents selected the undecided option. On the other hand 48 respondents or 39.02% stated that they disagree with the statement and the rest 23 respondents or 18.69% strongly disagreed.

The respondents' replies to the question, "The internal audit team has sufficient budget to conduct the needed annual audit reports," is as shown in Table 3.4 no 2, 22 respondents or 17.89% stated that they agree with the statement and believe that the internal audit team has sufficient budget to conduct the needed annual audit reports and 32 respondents or 26.02% stated that they agree. While 9 respondents or 7.32% choose the undecided option. On the other hand, out of all the respondents 39 or 31.71% stated that they disagree with the statement and 21 respondents or 17.07% stated they strongly disagree.

The respondents' answers to the question, "The internal audit team fully understands the required performance level recommends corrective action plan, evaluates the performance and adequately follows up on the success of corrective action," is as shown in table 3.4 no 3, from the overall respondents 29(23.58%) of the respondents strongly agree with the statement and believe the internal audit team fully understands the required performance level recommends corrective action plan, evaluates the performance and adequately follows up on the success of corrective action and 43(34.96%) of the respondents stated that they agree with the statement, while 3(2.44%) of the respondents selected the undecided option. On the other hand 37 respondents or 30.08% stated that they disagree with the statement and the rest 11 respondents or 8.94% strongly disagree.

Finally, the respondents' answers to the question, " I received a written/verbal notification of the overall audit scope and objectives during the initial phase of the audit and my concerns were adequately addressed and differences of opinions, if any, were resolved before the final audit results were communicated," is based up on the data found in the above table no 3.4, 4, 27 or 1.95% of the respondents strongly agreed with the management having direct and indirect influence on the outcome of the audit report. While 54 or 43.90% of the respondents stated that they agreed with the statement, 7(5.69%) stated that they are undecided. On the other hand 19 respondents or 15.45% of the whole respondents stated that they disagreed with the statement and 16 respondents (13.01%) stated that they strongly disagree with the statement.

### 3.3.2.3 IA Contribution to Compliance with Policies and Procedures

This section of the study sought to establish and analyse the view of the respondents regarding the contribution of the audit team in making sure that compliance with policies and procedures is guaranteed. The finding is presented as follows.

**Table 3.5: IA Contribution to Compliance with Policies and Procedures**

No	Item	Options	Frequency	Percentage
1	The IA makes sure the employees comply with policy	Strongly agree	26	21.14
		Agree	35	28.46

	and procedures of the organization	Undecided	3	2.43
		Disagree	40	32.52
		Strongly disagree	19	15.45
		Total	123	100
2	The IA team makes sure the teams comply with applicable external rules and regulation	Strongly agree	13	10.57
		Agree	29	23.58
		Undecided	2	1.63
		Disagree	52	42.28
		Strongly disagree	27	21.95
		Total	123	100
3	IA ascertains that operating objectives are consistent with the institution goals.	Strongly agree	42	34.15
		Agree	21	17.08
		Undecided	11	8.94
		Disagree	31	25.20
		Strongly disagree	18	14.63
		Total	123	100

Source: primary data, 2021

The respondents' replies to the question, "The internal auditor regularly checks the performance of your teams to make sure it is done in accordance with the policies and procedures like budget preparation policy, purchase policy and other policies of the institution," as shown in the Table 3.5 no 1 is, 26 or 21.14% of the respondents stated that they strongly agree with the statement and believe that the internal auditor regularly checks the performance of their teams to make sure it is done in accordance the policies and procedures like budget preparation policy, purchase policy and other policies of the institution. 35 respondents or 28.46% stated that they agree, while 3 respondents or 2.44% selected the undecided option. On the other hand, 40 respondents (32.52%) stated that they disagree with the statement and 19 respondents (15.45%) stated that they strongly disagree.

The respondents' replies concerning the question, "The internal auditor checks compliance with external laws and regulations when applicable," as it can be observed from the Table 3.5 no 2, 13(10.56%) strongly agree with the statement and believe the internal audit team checks and makes sure that there is compliance with external laws and regulations. 23.58% or 29 of the respondents stated that they agree, while 2 or (1.63%) of the respondents selected the undecided option. On the other hand 52 respondents (42.28%) stated that they disagree with the given statement and 27 respondents (21.96%) strongly disagreed with the statement.

Finally, respondents replied to the question, "The internal audit team ascertains that operating objectives are consistent with the institution goals," is based up on the Table 3.5 no 3, from the overall respondents, 42(34.15%) of the respondents strongly agree with the statement and believe that the internal audit team ascertains that the operating objectives are consistent with the institution's goals and 21(17.07%) of the respondents stated that they agree with the statement while 11(8.94%) of the respondents selected the undecided option. On the other hand 31 respondents or 25.20% stated that they disagree with the statement and the rest 18 respondents or 14.63% strongly disagree. Based on the above analysis, it can be seen that the majority 63 (51.22%) agreed with the statement meaning the data that was collected using a questionnaires indicates that the auditor does contribute to making sure the operation's objective consistent with organizational objective.

### 3.3.2.4 Internal Audit Charter Contribution to the effectiveness of Internal Audit Team

In this section, the student researchers presented interpreted and analysed the extent the presence of approved internal audit charter in the public sector offices contributes to the effectiveness of the internal audit team found in Addis Ababa revenue authority's medium tax payers' Addis Ababa No.2 branch office.

**Table 3.6 The Contribution of Internal Audit Charter**

No	Items	Options	Frequency	Percentage
1	The charter helps the IA team to achieve its mission in achieving the team's strategic objective	Strongly agree	12	9.76
		Agree	23	18.71
		Undecided	7	15.69
		Disagree	53	43.09
		Strongly disagree	28	22.76
		Total	123	100
2	The charter adequately defines the IA purpose, authority, responsibility and position.	Strongly agree	28	22.76
		Agree	13	10.57
		Undecided	32	26.02
		Disagree	24	19.51
		Strongly disagree	26	21.14
		Total	123	100
3	The charter gives the internal auditor full access to the documents that are necessary to conduct an effective audit work.	Strongly agree	19	15.45
		Agree	36	29.27
		Undecided	5	4.06
		Disagree	34	27.64
		Strongly disagree	29	23.58
		Total	123	100

Source: primary data, 2021

The respondents' replies concerning the question, "The internal audit charter is prepared in a manner to assist internal audit process to fulfill its mission in achieving strategic objectives," is according to Table 3.6 no 1, 12 respondents or 9.76% stated that they agree with the statement and believe that the internal audit charter is prepared in a manner to assist internal audit process to fulfill its mission in achieving strategic objectives and 23 respondents or 18.69% stated that they agree. While 7 respondents or 15.69% choose the undecided option. On the other hand out of all the respondents 53 or 43.09% stated that they disagree with the statement and 28 respondents or 22.76% stated they strongly disagree.

The respondents' reply to the question, "The charter accurately defines internal audit purpose, authority, responsibility and position within the organization," as we can observe from table 3.6 no 2, 28(22.76%) respondents stated that the charter accurately defines internal audit purpose, authority, responsibility and position within the organization. 10.57% or 13 of the respondents stated that they agree, while 32(26.02%) of the respondents selected the undecided option. On the other hand 24 respondents (19.51%) stated that they disagree with the given statement and 26 respondents (21.14%) strongly disagreed with the statement.

The respondents' answers to the question, "The charter gives the internal auditor full access to the documents that are necessary to conduct an effective audit work," is as shown in table 3.6 no 3, from the overall respondents 19(15.45%) of the respondents strongly agree with the statement and believe the charter gives the internal auditor full access to the documents that are necessary to conduct an effective audit work and 36(29.27%) of the respondents stated that they agree with the statement, while 5(4.06%) of the respondents selected the undecided option. On the other hand 34 respondents or 27.64% stated that they disagree with the statement and the rest 29 respondents or 23.58% strongly disagreed.

### ***3.3.2.5 The Contribution of The IA team to the effectiveness of Organization's Internal Control***

This section of the study sought to establish and analyse the view of the respondents regarding the effectiveness of the audit team in ensuring the effectiveness of the internal control system in improving the performance of the institution, the finding is presented as follows; The IA provides reasonable assurance for the proper management of the entity's asset.

**Table 3.7 The Contribution of The IA team to the effectiveness of the Organization's Internal Control**

<b>N<sub>o</sub></b>	<b>Item</b>	<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
1	The IA provides reasonable assurance on proper management of the entity's asset.	Strongly agree	27	21.95
		Agree	16	13.01
		Undecided	13	10.57
		Disagree	44	35.78
		Strongly disagree	23	18.7
		Total	123	100
2	IA team provides financial controls.	Strongly agree	13	10.57
		Agree	24	19.51
		Undecided	4	3.25
		Disagree	51	41.46
		Strongly disagree	31	25.20
		Total	123	100
3	Internal auditors provide adequate advice to management about control concerns.	Strongly agree	21	17.07
		Agree	28	22.76
		Undecided	23	18.69
		Disagree	27	21.95
		Strongly disagree	24	19.51
		Total	123	100

Source: primary data, 2021

The respondents' replies to the question, "The internal auditor provides reasonable assurance regarding prevention, or timely detection, and correction of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statement," is based up on the data found and presented in table 3.7 no 1, 27 or 21.95% of the respondents strongly agreed with the statement that the internal auditor provides reasonable assurance regarding prevention, or timely detection, and correction of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the

financial statement. While 16 or 13.01% of the respondents stated that they agreed with the statement, 13(10.57%) stated that they are undecided. On the other hand 44 respondents or 35.77% of the whole respondents stated that they disagreed with the statement and 23 respondents (18.69%) stated that they strongly disagree with the statement.

The respondents' replies to the close ended question, "Internal audit department of the institution provides financial controls of the institution so that on-going and independent reconciliation of all balances and any mal practices or fraud can be detected early and enterprise assets are safe guarded," is based on the table 3.7 no 2, from the overall respondents 13(10.57%) of the respondents strongly agree with the statement and believe that internal audit department of the institution provides financial controls of the institution so that on-going and independent reconciliation of all balances and any mal practices or fraud can be detected early and enterprise assets are safe guarded and 24(19.51%) of the respondents stated that they agree with the statement, while 4(3.25%) of the respondents selected the undecided option. On the other hand 51 respondents or 41.46% stated that they disagree with the statement and the rest 31 respondents or 25.2% strongly disagree.

Finally, the respondents' replies to the question, "Internal auditors provide adequate advice to management about control concerns," is based on table 3.7 no 3, 24 respondents or 19.51% stated that they agree with the statement and believe that internal auditors provide adequate advice to management about control concerns and 27 respondents or 21.95% stated that they agree. While 23 respondents or 18.69% choose the undecided option. On the other hand out of all the respondents 30 or 24.39% stated that they disagree with the statement and 19 respondents or 15.48% stated they strongly disagree.

### **3.4 Presentation and Analysis of the Interview Conducted**

To aid the research, an interview was conducted with the headquarters' general audit team head, the Addis Ababa No. 2 medium tax payers' branch office branch manager and the internal audit team head. Different questions regarding the effectiveness of internal audit with regard to the research objective were raised to conduct valuable discussion on this study. The following are essential points that were gathered through the interviews.

During the interview with the head quarter internal audit team head, several open ended questions were raised about the performance of the branch's audit team, since the headquarter directly supervises , receives and comments on the audit report prepared by the branch's audit team. The team head stated that the internal audit team's performance is average compared to the other 17 branches internal audit teams. Even though the Addis Ababa revenue authority has set up a mechanism to mitigate management influence, the head quarter had received over the past 7 years since the establishment of the internal audit team in the branch, complaints in unfair treatment of the auditors by the management which will inevitably affect the performance of the internal auditors. Regarding the capability of the auditors, the team head stated that the Addis Ababa No. 2 office doesn't have sufficient human resource, having only 4 internal auditors for 12+ teams. When asked about the budget, the head of the team stated that the head quarter provides all the necessary materials and budget the branch's internal audit team needs and that she believes it's sufficient. The head of



the head quarter internal audit team also stated that compared to the other branch's Addis Ababa No.2 medium tax payer's branch office has performed satisfactorily in regard to insuring the branch's degree of compliance with rules and regulations. The team has helped to reduce fraud and insure employees' compliance with rules and regulations. The interview conducted with the branch manager was also structured in a similar way to the head quarter internal audit team head. As the branch manager holds senior managerial position and has the capability to influence managers below him, the student researchers enquired different open ended questions to the branch manager. Most of the answers provided by the branch manager similar with that of the headquarter internal audit team head except he replied when questioned about management influence that the branch manager doesn't exert any influence in the team's procedure when publishing audit report. The interview that was conducted with the branch's internal audit team has also helped the student researchers get a full understanding on the research topic and considerably helped in making an effective analysis. The internal audit team head was also asked open ended questions and has provided similar answers to that of the headquarter internal audit team head except the team head stated that the team lacks enough budget resources in conducting its audit works.

The interview that was conducted with the branch manager, the head quarter internal audit team and the branch's internal audit team revealed how, in recent years, a structure has been put in place to reduce management interference with the works of the audit team. Still many incidents had happened in the past couple of years in which management tried to influence the results of the audit report. The internal auditor's capacity in publishing an effective audit report that improves the organization's performance is highly hindered by the lack of internal audit personnel both in quantity and quality. Also, the interview that was conducted revealed that the vast majority of the audit report done by the internal audit team is on financial audit with only two performance audit reports done in the past 7 years, meaning more emphasis on accuracy than efficiency. On the other hand, most of the audit report was on the finance and purchase and tax revenue money team, meaning even though the internal audit team has the responsibility to audit all of the 12 teams mentioned on the scope, it isn't doing the necessary overview and auditing to help in the improvement of their performance.

On the other hand one of the main objectives of establishing an internal audit team is insuring the compliance of the employees to internal and applicable external rules and regulations and this is done by preparing and analyzing the results of compliance audit which the internal audit team of the organization has only done twice since its establishment. It was also observed during the interview that the adoption and application of the internal audit charter has helped to a great extent in the improvement of the result of the audit report and the internal audit assurance and consultation functions.

#### **4. Summery, Conclusions and Recommendations**

The final portion of this paper aims to present the summary of the major findings, to conclude the finding of the study focusing on the core determinants that have significant impact on the internal audit effectiveness and to provide recommendations based on the research findings of the study. These conclusions and recommendations are drawn from the findings of the study according to the frame work in relation to the objectives of the research paper.

#### 4.1 Summary

In the summary portion of the study, it is tried to assess the effectiveness of the internal audit in the public sector specifically in the case of Addis Ababa no.2 medium taxpayers' branch office, based on the key factors of internal audit effectiveness which are independence and objectivity of internal auditors, auditors' capability, auditors' contribution to compliance with policies and rules and internal control effectiveness and lastly, the internal audit charter's contribution to the effectiveness of the internal audit teams .

- ✓ The study revealed that the managements' influence and lack of independence of internal auditors from management is from very strong to strong in terms of influencing the audit outcome, most of the respondents constituting 54.47% or 64 respondents responded that even though the level of agreement differs they agree with the statement that the management does actually influence directly or indirectly the outcome of the audit report. On the other hand 34 or 27.64% of the respondents while with varying degree of agreement stated that the management doesn't influence the auditors when they publish the audit report. On the other hand the majority of the respondents 82 (66.67%) although to varying degrees agree with the statement that the management oversees employment decision while 36 respondents or 29.27% although to a varying degree disagreed with the statement. Finally, the degree of independence of IA regarding gathering, evaluating and communicating information, 38.21% or 47 respondents while to a varying degree respondents agreed with the statement while 67 respondents or 54.47% disagreed.
- ✓ Regarding the auditors capability the study revealed that the auditor's capability is very strong in some aspects while poor in other aspects. In respect to the statement the IA team has sufficient human resource ,the majority of the respondents 71(57.72%) disagreed with the statement, while 31 respondents or 25.2% stated that they agree with the statement, on the other hand the respondents' replies to the statement that the internal audit team has sufficient budget in conducting its audit works is 54 or 43.9% agreed with the statement while 60 respondents or 48.78 % disagreed. The respondents' replies to the statement IA understands the performance level and adequately evaluates, recommends and follows up the action plan revealed that 72 respondents or 58.53% agreed with the statement while 48 respondents or 39.02% disagreed. Finally the respondents' replies to the statement the standard audit procedures were implemented during the preparation of the audit report revealed that although to varying degrees, 81(65.85%) respondents agreed with the statement while 35(28.46%) respondents disagreed. The interview that was conducted also confirmed this by revealing that the internal audit team lacks to some extent the needed budget and human resource to conduct its audit work but its procedural performance is relatively good considering the above factors.
- ✓ The third factor that was examined was the internal auditors' contribution to compliance with the statement 'The IA makes sure the employees comply with policy and procedures of the organization' 61(49.6%) respondents although to a varying degree agreed with the statement while 59(47.97%) respondents disagreed. On the other hand, the respondents' replies to the statement 'the IA team makes sure the teams comply with applicable external rules and regulations' revealed that 42(34.14%) respondents agree with the statement while 79(64.22%) disagreed. Finally, the respondents' replies to the statement

'IA ascertains that operating objectives are consistent with the institution's goals' is 63 respondents or 51.22% agreed with the statement while 49 respondents or 39.84% disagreed. All revealed from very poor to poor in all of the sub factors examined

- ✓ The fourth factor that was examined the extent to which the internal audit charter improves the auditors' performance revealed strong to very strong on it assisting the IA team achieve its strategic objective with 81(65.86%) agreeing and 35(28.46%) disagreeing with the statement while 59(47.9%) agreed and 23(18.7%) disagreed with the statement the charter adequately defines the IA purpose, authority, responsibility and position. Finally, 52 respondents or 42.28% agreed and 32(26.02%) disagreed with the statement that the charter gives the internal auditor full access to the documents that are necessary to conduct an effective audit work. The interview that was conducted also confirmed this in that the application of the audit charter has significantly improved the team's performance compared to the previous years.
- ✓ Lastly, the study on the degree to which the IA contributes to the effectiveness of the internal control revealed poor to very poor. In terms of providing reasonable assurance on the organization's assets use and management with 43(34.95%) agreeing and 67(54.47%) disagreeing, on the other hand 37(30.08%) agreed and 51(41.46%) disagreed with the statement the IA team provides financial control. Finally, 49(39.84%) agreed and 51(41.46%) disagreed with the statement that the IA provides adequate advice to management about the concerns of control.
- ✓ The interview that was conducted with IA team head of the Addis Ababa revenue authority headquarter, the branch manager and the branch's internal audit team also supported the above mentioned summary of major findings.

## **4.2 Conclusion**

Internal audit plays a major role in the success of an organization. The existence of effective internal audit is critical especially in the public sector to insure the wise and effective management of public money. In this section of the research paper, the student researchers presented the major conclusions found from the basic research question raised and the major summary of findings presented.

- ✓ Regarding the degree of independence of the audit team from the management's influence the gathered results revealed that except the interview with the branch manager, all the interviews that were conducted and the majority of the responses to the questionnaires on auditors' independence related questions forwarded to the concerned parties within the selected institution, was believed and responded by the participants as from very poor to poor.
- ✓ Regarding the capability of the branch's internal audit team, the internal audit staff proficiency and due professional care, all the related responses including interview and questionnaires, revealed that the majority of the respondents responded positively and assured the capability of the auditor in whether the IA team fully understands the required performance level, recommends corrective action plan, evaluates the performance and adequately follows up on the success of corrective action plan and whether the IA team performs procedural audit activities effectively. On the other hand,

the majority of the respondents stated that the capability of audit team is from poor to very poor: in whether it has sufficient budget and personnel to conduct its responsibility, this is also supported by the interviews that were conducted with all concerned parties.

- ✓ Concerning the effectiveness of the audit team in ensuring the compliance of the organization's employees to internal and applicable external rules and regulations, the majority of the questionnaires respondents replied that the IA team performance in the above mentioned points is from very poor to poor, while the interview revealed that even though the team's performance is poor, it is compared to the other branches and the factors mentioned above is not poor.
- ✓ Regarding the IA team's contribution to ensuring the effectiveness and improvement of the internal control system, similar to their previous responses, the majority of the respondents replied that the IA team performance in the above point and its sub factors IA team providing financial control, the proper handling of the entity's asset and in satisfying the consulting function regarding the internal control to be from very poor to poor.
- ✓ Lastly, concerning the internal audit charter's contribution to the effectiveness of internal audit team, the majority of the questionnaires' respondents and all the interview respondents answered positively, stating that after its application in the organization in 2011, the audit team's performance has significantly improved, except that the necessary documents provided as insuring evidence are lacking to the internal audit team which was also supported by the interview with the head of the internal audit team.

### **4.3 Recommendations**

Based on the summary of findings presented and the conclusions drawn from it, the following recommendations are forwarded to Addis Ababa Revenue Authority's A.A no.2 Medium Tax Payers' Branch office. These recommendations are believed to provide feasible solutions for the branch and reduce risk exposures.

1. As seen from the conclusion, the composition of the internal audit staff in addition to lacking experienced personnel, also lacks an advanced professional training, because according to IIA (2008) Auditors should comply with minimum continuing education requirements and professional standards published by the IIA, so the branch should ensure the internal auditor personnel's hiring process has specific standards that will help to strengthen the internal audit team and insure and follow up its implementation. Furthermore, the organization should prepare inside and outside training opportunities for the internal auditors to be updated on new policies, procedures, rules and regulations. In addition to this, regarding the capability of the IA team since the study revealed that the audit team lacks the necessary personnel and budget to effectively conduct its responsibility, as this is one of the important factors determining the effectiveness of the internal audit, and considering how sensitive it is, the organization should consider the responsibility the team is assigned to in comparison to the resources both in human and finance needed when preparing its annual organizational plan.

2. Management's influence on the objectivity and independence of auditors was strong to very strong, based on the responses of the majority of questionnaires respondents and the interviews that were conducted. So, the concerned party who is responsible for this, the Addis Ababa Revenue Authority Headquarter should give due attention to this important factor and on ways and procedures to insure the team's independence including preparing trainings to those in the management levels and internal auditors on this topic. The management should also give due attention and work on improving this negative factor.
3. Even though the internal audit charter has contributed significantly to the effectiveness of the internal auditors, the research findings still showed it lacked in insuring that the internal auditors are provided with the necessary documents to conduct their audit works. The charter does have sections that oblige the teams to provide the necessary documents, indicating that the teams should be thoroughly briefed on the internal audit charter to insure the team's compliance with the charter. Additionally, procedures and processes need to be reviewed to check any obstacle which creates delay in accomplishing tasks and devise a remedial action where there are obstacles. Furthermore, the teams should be briefed that the necessary assistance should be given to IA staff to accomplish their task without delay. All necessary documents and data should be open for access to the Internal Auditors respecting the organizational independence to fully deliver their responsibility without interference.
4. The interview conducted with the internal audit team and the review of the audits done the past seven years revealed that the audits done by the audit team are only of specific audits and only on specific teams, considering the above fact the audit team should make sure when conducting its annual plan to include different teams and different audits with appropriate risk plans. Especially since it is a public organization ,it should include preparing more performance audits in its plan.

## **5. Reference**

- Abbas Ali. (2017). *Multi-objective Decision Making*. Cambridge: Cambridge university publisher.
- Albrecht, W.S., K.R., Schueler, D.R. Stocks, K.D., (1999). *Evaluating the Effectiveness of Internal Audit Departments*, Institute of Internal Auditors. Florida: Altamonte Spring publisher.
- Al-Twajjry, A. M., Brierley, J. A., & G william, D. R. (2004). An Examination of the Relationship between Internal and External Audit in the Saudi Arabian Public Sector. *Managerial Auditing Journal*, 929-945.
- Ali Hamid. (2015). *The Evolution of Corruption and Optimal Level of Corruption Reduction: Evidence from Cross-Country Studies*. Amsterdam: Elsevier publishing.
- Amin Tunggal. (2009). *Principles of Internal Auditing*. New York City: Pearson Prentice Hall.
- Andre Thomas. (1987). *Internal Audit Reporting and Communication*. Boca Raton: Auerbach Publications.

- Arefayne Wodajo (2019). Factors affecting Internal Audit Effectiveness: in the case of Ethiopian insurance companies, Addis Ababa University.
- Asgedom Abenezer. (2020). Determinates of Effective Internal Audit in Addis Ababa's Public Sector. Addis Ababa University. PP. 23-29.
- Budd Christopher. (2016). Double Entry Bookkeeping and Financial Literacy. New York city: Springer International Publishing.
- Chan, S. (2004). Mapping Coso and Cobit for Sarbanes– Oxley Compliance. Institute of Internal Auditors. PP 60 – 65.
- Eden Dila, D. and Moriah Amin, L. (1996). Impact of Internal Auditing on Branch Bank Performance: A Field Experiment' Organizational Behavior and Human Decision Performance. England: Pearson Education Limited.
- Felix Lessambo. (2018). The International Auditing and Assurance Standards Board. New York City: Springer International Publishing.
- Gay, G. and Simnett, R. (2003). Auditing & Assurance Services in Australia. Sydney: McGraw-Hill Book Australia.
- Goodson. F. (2012). Developing Narrative Theory. Oxford: Routledge publishing.
- Markiwis Dittenhofer. (2001). Internal auditing effectiveness: An expansion of present methods. *Managerial Auditing Journal*, 16 (8), 443-450.
- Marques Nadejda., Rodriguez Eunice. (2015). Why is Corporate Governance Important?. Hyderabad: OMICS Publishing Group.
- Messier William., Steven Glover., Douglas Prawitt. (2015). Auditing & Assurance Services: A Systematic Approach. Oxford: Routledge publishing.
- Ministry of Finance and Economic Development. (2004). Internal Audit Standards and Code of Ethics for Internal Auditors and Internal Audit Procedural Manual: Ministry of Finance and Economic Development.
- Paulo, S. (2010). Companies Act of 2006 and the Sarbanes-Oxley Act of 2002. West Yorkshire: Emerald publishing.
- Prawit Smith, J., & Wood, D. (2010). Internal Audit Function Quality and Earnings Management. *The Accounting Review*, 84(4), PP 1255-1280.
- Recanatini Francesca. (2013). Assessing Corruption at the Country Level. Northampton: Edward Elgar Publishing.
- Samuel Mulugeta. (2008). Internal Audit: Reporting Relationship in Ethiopian Public Enterprises. St. Mary's University. PP. 21-27.
- The Institute of Internal Auditors. (2016). International Standards for The Professional Practice Of Internal Auditing (Standards). <https://na.theiia.org/standards/guidance/public%20documents/ippf-standards-2017.pdf>. (Aug 19, 2021).
- Transparency international. (2020). Corruption Perceptions Index. <https://www.transparency.org/en/cpi/2020/index/nzl>. (Sep 1, 2021).
- Tsegaye Getahun. (2015, June). "A survey on the level of corruption in the public sector conducted by Selam Development Consultants". Addis Standard, PP. 34-38.
- Yismaw Mihret. (2007). Internal Audit Effectiveness: An Ethiopian public sector case study. *Managerial Auditing Journal*, 22, PP 470-484.