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

**AN ASSESSMENT OF INTERNAL AUDIT PRACTICE
THE CASE OF ADDIS ABABA CITY ROADS AUTHORITY**

BY: MULUGETA KEBEDE

**May, 2022
SMU
ADDIS ABABA**

**AN ASSESSEMENT OF INTERNAL AUDIT PRACTICE
THE CASE OF ADDIS ABABA CITY ROADS AUTHORITY**

BY: MULUGETA KEBEDE (ID NO. SGS/0480/2013A)

UNDER THE GUIDANCE OF MOHAMMED SEID (ASSISTANT PROFESSOR)

**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS
ADMINISTRATION (ACCOUNTING AND FINANE)**

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DECLARATION

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other University. All sources of materials used for the thesis have been duly acknowledged.

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St. Mary's University, School of Graduate Studies
June, 2022

ENDORSEMENT

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

Mohammed Seaid (Assistant Professor)

Advisor



Signature

St. Mary's University

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ACRONYMS AND ABBREVIATIONS

ACRONYMS AND ABBREVIATION	MEANINGS
AACRA	Addis Ababa City Roads Authority
AG	Auditor General
AC	Auditor competency
IAE	Internal Audit effectiveness
IA	Internal Auditor
IS	Information System
IAF	Internal Audit Function
MOFED	Ministry of Finance and Economic Development

ABSTRACT

The main purpose of this study is to identify and solve the gap between actual practices of the authority and the general procedure that are stated theoretically. The general objective of this study was that the assessment of internal audit practice in the case of Addis Ababa City Roads Authority. An important part of the research activity is to develop an effective research design which shows the logical link between the data collected, the analysis and conclusion to be drawn. The target population for this research is Addis Ababa City Roads Authority. The primary data is used to accomplish the study and to collect the data from the respondents'. The findings which are found from the primary source of the study are summarized, concluded and recommendation is provided. From this research ,researcher concluded that the overall internal audit practices of Addis Ababa City Roads Authority is more or less adequate ,even though there are some issues that are not addressed to practice internal auditing service effectively and efficiently. The researcher suggests to the organization to improve the internal auditing activity based on recommendation.

Key words: Internal audit, AACRA, Assessment, internal audit Practices effectiveness.

Chapter One

Introduction

1.1. Background of the Study

In Every country that is administered in a democratic policy needs to be accountable in its use of public money and in providing effective, efficient and economical (3e's) service delivery. To achieve those government objectives applying internal audit function were the major mechanism for controlling and using of all scarce resources available in the corporate organization. Ever more larger and complex systems require greater competitiveness, thus internal audit has had to become ever more professional

In public organization or public bodies, the internal audit of each public body has their own responsibility. Like, Conducting internal audit at specific intervals to evaluate the performance of public body and ascertain the public money and public property are used for intended purposes, and submitting audit reports to the head of the public body and to the head of bureau, follow-up measures taken based on audit findings. Developing audit programs and which are specifically designed to meet the interest of the public body. Developing a monitoring system which shall, at regular intervals, test and report to management and the head of bureau on the public body's compliance with the applicable internal and external directives and procedures, and Advising head of the public management, at regular intervals, on its internal practices and controls and on whether they are efficient and economical (proclamation no 51/2017).

Internal Audit is independent, objective assurance and consulting activity designed to add 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 (Institute of Internal Audit's, 2001). This is clearly indicated that how Internal Audit is importance and contribute a lot in the organizations. When effectively functioned, internal audit play an important role in monitoring and evaluating financial management activities in government sectors, thereby helping an organization achieve its objectives. In addition, it will assist government organizations to achieve accountability and integrity, improve the implementation of government programs and develop confidence among citizens and stakeholders as well as to cater any risk of mismanagement of public fund (Baharu-din et al, 2004). Organizations with effective IA activities are better able to identify business risks, take appropriate corrective action, and ultimately support continuous improvement. However, when internal auditing is poorly functioned, its ineffectiveness leads to increased non-value-added costs, poorly executed auditing systems, weak management operations, and eventual, company's quality management system breakdown. Addressing factors that affect the effectiveness of Internal Audit greatly help in locating where the problem is and thereby save the organization from such breakdown (Baharu-din et al, 2004).

1.2. Statement of the problem

The main purpose of this study is to identify and solve the gap between actual practice of the authority and the general procedure that are stated theoretically.

High quality financial management will lead to the success of government programs and activities. Therefore, to promote quality of financial management the government has established the Internal Audit unit in many government departments. In Ethiopian internal audit was established by considering the virtue of issuance of Federal Treasury circular no 9/2004. This circular indicates that the provision of the establishment of IA unit and governing the tasks and responsibilities of internal auditing in the public sector and as an internal control mechanism in government agencies to look into the financial management integrity and value for money expenditure to the government program and activities (Federal Treasury circular no. 9/2001).

Thus, mismanagement in the process of spending public money has been highlighted by the Auditor General (AG) in the annual report (Buang 2008). Some of these weaknesses and mismanagement involve serious violation of established financial management guidelines and procedures such as poor planning of procurement, equipment supplied, work done and services rendered not in accordance with the original specification, cost overrun due to delays in project completion, improper payment made for equipment not supplied, work not done and services not rendered, equipment and good procured at a much higher cost than market value, procurement not done according to established regulations. During its time operation, the authority has developed different Road development programs with different phases of achieving its mission and objective.

The effectiveness of this program is underlined on the proper utilization of this huge money and internal audit contributes more for the successful utilization of funds. However, Ethiopia invest nearly one third of its budget to the road sector but it is reported that there has been a gap in efficient utilization of financial resource, proper maintaining of financial transaction and adequately safeguard of asset of the Organization. Addis Ababa City Roads Authority management letter on the Accounts by Audit Services Corporation (2015). Also, to the best of my knowledge, until now, no empirical research on the assessment of the internal audit's effectiveness has been conducted within a Road Construction Sector. This article is an attempt to fill this literature gap.

Considering the above facts, conducting of internal audit practice is essential for organizational success and effective utilization of public money. Therefore, this paper was intended to study the internal audit of Addis Ababa City Roads Authority by using the elements; the risk based information and communication, the control law and degree of compliance with rules and regulation. In general, the researcher believes that the paper has answered the basic question that must be answered.

1.3. Research Questions

1.3.1. Research Questions

The research has proposed to answer the following research questions

1. How effective is the internal audit in assessing the risk faced by the Authority?
2. How effective is the internal audit in looking the information and communication Of the Authority?
3. How effective is the internal audit in assessing the control role of the Authority?
4. How effective is the internal audit in ensuring the degree of compliance with the rules and regulation?

1.4 Research Objectives

1.4.1 General Objective

The general objective of this study was the assessment of internal audit practices in the case of Addis Ababa city Roads Authority.

1.4.2. Specific Objectives

Specifically, the study is attempted to achieve the following objectives;

1. To assess the internal audit in assessing the risk faced by the Authority
2. To assess the internal audit in looking the information and communication practices of the authority
3. To assess the internal audit in assessing the control of the Authority
4. To assess the internal audit in assessing the degree of compliance with the rules and regulation

1.5. Significance of the Study

The internal auditors have a significant impact to control any non-compliance activity in line with the established policies, plans, procedures, laws and regulations, set by the government which could have a significant impact on the organization's operations. The internal auditors are also essential to add or create value to the organizations, to avoid failure and to save the operating and administration costs in accordance with the organization's policies and procedures. Therefore, this research is very essential to show the effectiveness of the internal auditors by assessing Internal control Practices.

In addition this research is important for the empirical evidences for the selected public organizations to examine their policies and procedures, and it can give information to different users, including government, policy planners, academicians and the public at large and it could be use top management and development policy makers. And finally the research helps the researcher to full feel his required grade in bachelor of art.

1.6. Scope of the study

The study would be better if it were conducted widely to overall road sectors in the country to come up with more idea. But due to various constraints the study had been conducted and analyzed only single government road sector. This study also conducts some staffs and customer that are related with the study in order to represent the total population.

1.7. Description of the study area

In spite of the researcher's efforts to gather the necessary information as objective as possible, the analysis of this study is based on the opinion of respondents, so the respondent were cooperate well to fill and gave all the necessary data. In addition, Under Addis Ababa city administration there is 61 public sectors or budgetary institutions (Proclamation No.44 /2007). But because of time and financial shortage, I prefer the big budgetary institutions under Addis Ababa city administration. This may in turn limit the ability to make broader generalization from the study undergone.

1.8. Organization of the study

This study has five Chapters. Chapter one concerned with Introduction that included background of the study, statement of the problem, general and specific objectives, Scope Of The Study and significance of the study .Chapter two include review of literature comprise Internal Audit, the relationship between Internal Audit and Internal Audit Effectiveness, the relationship between Audit Quality, Auditors competency, Top Management Support, Independence of internal audit, Approved Internal Audit Charter , Internal Audit Effectiveness and objectivity of internal auditors. Chapter three Research methodology -consists of research design, sources of data collection, sample size and sampling procedures, method of data collection and data analysis .Chapter four and Chapter five findings from the survey result and general conclusions, possible recommendations to the problems that drawn from the survey data, major limitation of the study and indication of further studies in the area discussed respectively.

Chapter Two

Literature Review

MEANING OF INTERNAL AUDIT

Audit refers to the shareholders attendance of external auditors reports which, in effect, started only at the advent of the 19 century. But, we know that some type of auditing existed long before 1494 when Luca Pacioli published his principles of double-entry bookkeeping system in Venice (MoFED, 2004).

Internal audit are the mechanism through which information about the effectiveness of the quality system is gathered by auditors selected from within the company but, who are independence of the area, function or procedures being audited. Or the Internal Audit Function (IAF) is the mechanism through which the operation of the quality management system is formally monitored and in accordance with the documented quality system is assured (MoFED, 2004).

Meanwhile the primary role of internal audits is to provide independent assurances that the organization is, or is not, managing risk well. 'Designed to add value' as a service, auditing has to form a client base and understand the needs of the organization. Here the service role should lead to a defined benefit to the organization rather than internal audit working for its own mysterious goals. Adding value should be uppermost in the minds of chief audit executives (CAE) and this feature should drive the entire audit process. Therefore, the CAE and internal auditors need to meet or exceed these expectations to be effective. With the ever-changing business environment, the effectiveness and credibility of the internal audit function is crucial.

The Statement on Auditing Practice (SAP-6) of the Institute of Chartered Accountants of India describes internal audit as "the plan of organization and all the methods and procedures adopted by the management of an entity to assist in achieving management's objective of insuring, as far as possible, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of accounting records and timely preparation of reliable financial information.

Nevertheless, Internal Audit is subject to many problems that affect internal auditors' effectiveness in different corporate governance (Cohen & Sayag, 2010; Arena & Azzone, 2009; Belay, 2007; Mihret & Yismaw, 2007). Particularly the determinants of internal audit effectiveness which are used to measure the improvement of public sectors through IA were the focus of this case study. In this case study the literature review consists of the definition of internal audit and the term effectiveness, the type of auditing activities performed by the internal auditors and the internal audit effectiveness instrument of improving public sector management such as the perceptions of the management, management support, organizational independence

of internal auditors, adequate and competent of IA staff , the presence of approved IA charter and objectivity internal auditor by referring different books, reviewing and analyzing prior audit researches and journals.

2.1. Questions to be answered for Literature Review:

The following questions could be useful:

- Has the problem been analyzed before?
- Are there any leading thoughts on the issue or problem?
- Are there any comparative conditions around the problem?
- What strategies or formula have been attempted?
- What results have been obtained in previous attempts?
- Therefore, what gaps or shortfalls are there in past studies?
- To what extent will your research refine, revise, or extend what is now known?

2.2. Internal Audit and Related Literature

A variety of audits are performed in the review of organizational programs and Resources. (Aren, 1999; Dandago, 2002 and Sabari, 2003) These audits include:

2.2.1. Operations Audits:

These audits examine the use of resources to determine if resources are being used in the most effective and efficient manner to fulfill the organization's mission and objectives.

2.2.2 .Financial Audits:

These audits review accounting and financial transactions to determine if commitments, authorizations, and receipt and disbursement of funds are properly and accurately recorded and reported. This type of audit also determines if there are sufficient controls over cash and other assets and that adequate process controls exist over the acquisition and use of resources.

2.2.3. Compliance Audits:

These audits determine if entities are complying with applicable laws, regulations, policies and procedures. Examples include federal and state laws, and Trustee policies. Information Systems (IS) Audits: These audits review the internal control environment of automated information processing systems and how people use these systems. The audits usually evaluate system input, output; processing controls; backup and recovery plans; system security; and computer facilities.

2.2.4. Information Systems Audits:

These audits review the internal control environment of automated information processing systems and how people use these systems. The audits usually evaluate system input, output; processing controls; backup and recovery plans; system security; and computer facilities.

2.2.5. Internal Control Reviews:

These audits focus on the components of the major business activities, such as payroll and benefits, cash handling, inventory and equipment, physical security, grants and contracts, and financial reporting.

2.3. Internal Audit Effectiveness

The word “effectiveness” have been defined by different researchers, for instance Arena and Azzone (2009) defined effectiveness “as the capacity to obtain results that are consistent with targets objective,” while, Dittenhofer (2001) view effectiveness as the ability toward the achievement of the objectives and goals. In the same context, a program can be seen as effective if its outcome goes along with its objectives (Ahmad, Othman, & Jusoff, 2009; Mihret et al, 2010).

Institution of Internal Audit IIA (2010) defined internal audit effectiveness “as the degree (including quality) to which established objectives are achieved. While Mizrahi and NessWeisman (2007) give their own definition which is in line with the ability of the internal auditor intervention in prevention and correction of deficiencies and they finally defined internal audit effectiveness as “the number and scope of deficiencies corrected following the auditing process.” Therefore, going by the above definitions of effectiveness and audit effectiveness, it’s clear that audit effectiveness or internal audit effectiveness is means the same thing because they all have central target which is ‘the ability of achieving established objective. Based on the above definition, this study defined internal audit effectiveness as the ability of the audit work to achieved established objective within the organization.

Mihret and Yismaw (2007) described the characteristics of effective internal audit unit from the internal audit point of view. Effective Internal Audit undertakes an independent evaluation of financial and operating systems and procedures, contributes to the achievement of organizational goals, needs management’s commitment to implement recommendations, provides useful recommendations for improvements as necessary, affected negatively by lack of attention from management which - in turn adversely affects the audit attribute. Therefore Understanding the factors that influence internal audit effectiveness is important.

In order to make internal audit to be effective more researches should be undertaken on factors which affects internal audit effectiveness. For examples; Arena and Azzone (2010), Chaveerug (2011) and Mihret et al (2010) emphasize the need for future studies to examining the factors that influence internal audit effectiveness and the possible interactions among them. Also there are needs for a more comprehensive study on the issue of internal audit effectiveness both conceptual and empirical (Cohen & Sayag, 2010), similarly, considering the little literature about the measurement of auditing effectiveness particularly in the public sector, more need to be done (Mizrahi & Ness-Weisman, 2007). Different research have different direction to study about the effectiveness of internal audit. Dessalegn (2007) did a case study in

Ethiopian to give a frame work of four important factors which are the “audit quality, management support, organizational setting, and auditee attributes” to evaluate the effectiveness of internal audit. Meanwhile, Moorthy (2011) mainly focused on information technology which can affect the audit process, and give examples about IT system adopted by auditing process. Mu’azu (2014) did a study on the audit committee to give empirical evidence about the influence of audit committee on internal audit. Moreover, Zulkifli (2014) directly stated some factors such as independence/objectivity of internal auditors which is different from Dessalegn (2007) that evaluate the effectiveness of internal audit.

The main aim of this research will be to examine factors which affect internal audit effectiveness and after reviewing literatures the following factors will be taken as an independent variable for internal audit effectiveness. These are Audit Quality, Auditors competency, Top Management Support, Independence of internal audit and the presence of internal audit charter and the existing literatures are reviewed as follow.

2.3.1. Internal audit quality

Internal audit quality require auditors to carry out their role objectively and in compliance with accepted criteria for professional practice, such that internal audit activity will evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach IIA (2008). This is important not only for compliance with legal requirements, but because the scope of an auditor’s duties could involve the evaluation of areas in which a high level of judgment is involved, and audit reports may have a direct impact on the decisions or the course of action adopted by management (Bou-Raad, 2000). Greater quality of IA work – understood in terms of compliance with formal standards, as well as a high level of efficiency in the audit’s planning and execution – will improve the audit’s effectiveness. (Bou-Raad, 2000).

Internal audit quality is examined as one of the variables associated with internal audit effectiveness by Mihret and Yismaw (2007) they did their research on the public sector of Ethiopia, and their findings indicate that internal audit effectiveness is affected by the internal audit quality, along with the support of management, the organization environment and the characteristics of the organization. In another research Barac and Van Staden (2009) studied the relation between the perceived quality of internal audit and the safety of corporate governance structure in South Africa. In contrast to the above, the results indicate that there is no correlation between the corporate governance structures and the perceived quality of internal audit.

In recently, examining one hundred and eight Israeli organizations, Cohen and Sayag (2010) also considered the quality of internal audit work as a factor of internal audit effectiveness. Along with the above Alzeban and Gwilliam (2014) emphasize the impact of internal audit quality to internal audit effectiveness

2.3.2. Auditor's competency

Competency can be relate to the ability of an individual to perform a job or task properly base on academic level, experience, skill and the effort of the staffs for continuing professional development. Competency determines the efficiency of the auditor in setting a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's activities and financial management as well as governance processes.

Competence of internal auditor also considered as important factor for effective internal audit. In line with ISPPIA, Mousa (2005) considered proficiency and due professional care (competence) as a significant element of internal auditing. Turley and Zaman (2007) examining the factors that affect effectiveness of internal audit teams, argue that communication between the members of the audit team has a positive impact on the outcome of the audit. Abu-Azza (2012), in addition Haimon (1998), Mihret et al. (2010) and Obeid (2007) found that competence of internal auditors positively related to perceived IA effectiveness. Moreover, Cohen and Sayag (2010) argue that professional proficiency of internal auditors is of major importance for effective internal auditing. In addition many prior academic researchers have focused on the need for an internal auditor to be sufficiently qualified if a high level of effectiveness is to be achieved (Abu-Azza, 2012; Al-Twajry et al.,2003; Mihret and Yismaw, 2007). Finally, Alzeban and Gwilliam (2014) argue that higher internal audit effectiveness is associated with greater competence of internal audit staff. Therefore, this study extends the prior studies by examining the relationship between competence of internal auditors and IA effectiveness.

2.3.3. Top Management Support

The management support is almost crucial to the operation and internal audit; because all other determinants of IA effectiveness derive from the support of top management, given that hiring proficient IA staff, developing career channels for IA staff, and providing organizational independence for IA work are the results of decisions made by top management (Cohen & Sayag, 2010). This means it is the interest of management to maintain a strong internal audit department (Adams, 1994; Mihret and Yismaw, 2007).

In addition implementation of audit recommendations is highly relevant to IA effectiveness (Sarens and Beelde, 2006; van Gansberghe, 2005) which is the component of management support (Mihret and Yismaw, 2007). The management of an organization is viewed as the customer receiving IA services. As a result, management's commitment to use audit recommendations and its support in strengthening internal audit is vital to IA effectiveness. Therefore, audit finding and recommendations would not serve much purposely unless management is committed to implement them. Furthermore, Belay, (2007) find that to curb corruption and inefficiency in the public sector of Ethiopia, it is mandatory to have effective internal audit function (IAF) that in turn needs appropriate governance structure, mobilizing sufficient and appropriate resource and competent personnel.

Internal audit effectiveness according to the literature is the outcome of the support given by the top management. As it is analyzed above, Mihret and Yismaw (2007) argued that there is a

positive relationship between top management support and internal audit effectiveness. In line with the above study, management support is also considered as the main determinant of internal audit effectiveness according to Cohen and Sayag (2010). Similarly, Alzeban and Gwilliam (2014) indicated that management support is positively and significantly associated with internal audit effectiveness and is also positively associated with all the other variables affecting internal audit effectiveness.

2.3.4. Independence of internal audit

Being Independent is the freedom from the control and direct influence of line management this definition is an important to the extent of audit work and enhances internal audits objectivity and integrity. Internal auditors should be independent form the activity they are auditing. Independence allows internal auditors to perform the impartial and unbiased judgments to the proper conduct of audit and achieved through organizational status and objective (Simon, 1995).

Independence of internal audit is considered by Zhang et al. (2007) as a determinant of internal audit effectiveness. Cohen and Sayag (2010) also argue that organizational independence of internal audit affects internal audit effectiveness. Auditor independence has long been considered as the key driver of the audit function. Without independence, internal audit simply becomes a part of the management team, losing its ability to offer a fresh perspective (Yee et al., 2008). (Al-Twaijry et al.2003). Abu-Azza (2012), Cohen (2010), Haimon(1998) and (Mihret et al. (2010), found that internal auditor independence positively related to perceived IA effectiveness.

2.3.5. The Approved Internal Audit Charter

Internal audit charter is defined by the IIA as “a formal written document that defines the activity’s purpose, authority and responsibility. The charter should be (a) establish the internal audit activity’s position within the organization; (b) authorize access to records, personnel and physical properties relevant to the performance of managements; and (c) defined the scope of internal audit activities”(IIA, 2001). It may also defines access to the information (documents, records, systems, and personnel) necessary to perform and reach conclusions on the work, and it is a vehicle for asserting that there are noun reasonable limitations on the scope of the auditor work.

The charter should clearly identify and record any 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 required on internal control from an IA. Van Peurse (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 of insuring success

in achieving the independent status of an IA. Furthermore, the existence of audit charter in organization influences senior management to flow the recommendations of the internal auditor (Van Peurse, 2005) which in turn affects IA effectiveness.

2.3.6 Auditors Objectivity

For auditor Objectivity is one of two critical characteristics. Any certification exam related to auditing and all professional development continues to emphasize that an auditor must be objective. Since objectivity is so important.

The Institute of Internal Auditor (IIA), The International association for auditors and the auditor of the important auditing standard, defines objectivity as balanced assessment of all the relevant circumstance not unduly influenced by auditors own interest or by others in forming judgments. Basically, per the IIA, objectivity means that an auditor does their work and make their judgments based on an unbiased look at circumstances and only based on the facts. As soon as an auditor considers how their findings or opinions might them personally, or other people involved in the audit, objectivity is jeopardized.

(Douglas Hawks PhD from Journal)

2.4 Code of Ethics

Purpose of code of ethics is to promote an ethical culture in the internal audit profession. (IIAwwwtheiaa.org)

- By acting with the integrity, internal auditors establish trust and provide the basis for reliance on their judgment. Internal auditors perform their work honestly. Observing the law while contributing the legitimate ethical objectives of the organization
- Internal auditors' exhibits the highest level of professional objectivity in gathering, evaluating and communication information. Internal auditor should make balanced assessment of all relevant circumstances and are unduly influenced by their own interest or by others. Internal auditors avoid activities and relationships that might be seen to undermine their objectivity.
- Internal auditors should respect the value and ownership of information they receive and do not disclose information without appropriate authority, unless there is legal or professional obligation to do so.
- Internal auditors apply the knowledge, skill, and experience needed for their role. They perform their work in accordance with the standard and engage in continuing professional development (IBID).

2.5. Empirical Research and Knowledge Gap

The advantage having IA function within the organization was increasing the likelihood of detecting and self reporting fraud than outsourcing function. Nevertheless, the possibility of realizing this advantage is determined by different organizational characteristics (Coram et al, 2008)

Despite increasing attention to the IA's role within corporate governance, only limited researchers have been examined the Assessments of internal audit practices of its function.

Zewdu Eskezia (2022) the assessment of internal audit practices in Ethiopia the case of Fainenance and economic Development office in Adama City. Found that the organizations auditors do not involve reasonable assurance and the auditors do not detect and correct fraud and unauthorized purchase.

Omer Ahmed (2020) performed the assessments of internal audit practice in commercial bank in Ethiopia the case of United Bank S.C. Found that the bank has adequate and competent audit staff.

Zelalem Sisay (2014), the assessments of internal audit practice the case of Lion Insurance. Found that the overall internal audit practice of the insurance company was more or less adequate.

This study is different from other conducted research geographically focusing in Addis Ababa City. Due to fact that the internal audit practice is different from country to country, private to Government, one region to another do not similar in implementing government policies.

CHAPTER THREE

Research Design and Methodology

3.1. Introduction

An important part of the research activity is to develop an effective research design which shows the logical link between the data collected, the analysis and conclusions to be drawn. This design satisfies the most suitable methods of investigation, the nature of the research instruments, the sampling plan and the types of data (De Wet, 1997). In this section the research design, sampling type, research instrument, Analyzing, summarizing conclusion and recommendation are included.

3.2. Research Design

This research was designed to identify and answer the problem that is found by the researcher through different types of data collection methods to different group of individual with different experience and positions .Then analyzing and interpreting the data to achieve findings, conclusion and recommendations.

Therefore, among various types of research design we used stratified random sampling methods because the population embraces a number of distinct categories. Hence the research gets a clear picture of the phenomena from the study.

3.3. Sample Deign

3.3.1. Population of the study

The populations of the study were 60 employees from the internal audit staffs and middle level managers of Addis Ababa City Road Authority. The logic behind selecting all internal audit staffs and middle level managers is that internal audit staffs and middle level managers have direct relationship with the work of internal audit and this lead to acquire convenience information about internal audit Practices of the organization.

3.3.2. Sampling Techniques

The target population for this research is Addis Ababa city roads authority. This is around 61 public sectors; in Addis Ababa. Due to the difficulty of covering all the total existing public sector, the researcher forced to limit the study area by focusing on selected public sector offices that are expected to be used as a representative of other sectors.

These sector offices are selected purposively, because the use of purposive sampling enables the researcher to generate meaningful insights that help to gain a deeper understanding of the research phenomena by selecting the most informative participants that is satisfactory to its specific needs.

Therefore, the research focused on this public sector which have enough internal audit staffs, very popular in nature and have greater impact to influence the country's overall social, political and economic issues.

3.3.3. Sample size

The research is focused on Addis Ababa city roads authority in terms of budget consumption, number of employee and greater economic contribution toward the administration and country as well. Accordingly the questionnaire was distributed to 20 employees from finance and internal audit department to obtain appropriate response.

In order to get the adequate responses through questionnaire It believe that distributing the questionnaire to the appropriate staff has been working within respective department, Such as, internal audit and finance was appropriate.

Having these the research used observational like educational background, experience, willingness to choose appropriate respondent among the selected department.

3.4. Source of data

3.4.1. Primary Data Sources

The primary data is used to accomplish the study, and to collect the data from the respondents. The questionnaires are distributed to finance and internal auditors of Addis Ababa city roads authority.

3.4.2 Secondary Data Sources

Data is collected from different documents, papers, websites, directives, manuals and reports that prepared by the Authority.

3.5 .Data Analysis and Interpretation

The data has been arranged and organized in to tabular form and applying percentage to show the variation and for simplicity .This help to interpret to what extent of the internal audit of the Authority is performed and can be easy to stakeholders.

3.6. Methods of Data presentation

Questionnaires are prepared in the form of five item Likert-Scale type to obtain primary data and distributed to target population. The company audit evaluation report, manuals, articles, journals and other documents were reviewed to obtain secondary data.

3.7. Methods of Data Analysis

The data has been arranged the collected data as per the questionnaires and organized in to tabular form and applying percentage to show some variation.

3.8. Ethical Considerations

In order to keep the confidentiality of the data that was given by respondents; the respondents are not required to write their name and assured that their responses were treated in strict confidentiality. The purposes of the study were disclosed in the introductory part of the questionnaire. Furthermore, I attempted its best to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires were distributed only to voluntary respondents'.

3.8. Limitation/Threat/of the study

- Some concerned respondents were not volunteers to fill the questioner.
- The respondents were not responding on time.
- Frustration of the respondents.

CHAPTER FOUR DATA PRESENTATION AND ANALYSIS

INTRODUCTION

This chapter deals with analysis of data in detail on extent and quality of internal audit practice in Addis Ababa city Roads Authority. Lack of proper internal audit practice is a major problem for the proper functioning and development of business activities. To overcome these problem different organizations are trying to strengthen their internal audit practice. The objective of this paper focused on the evaluation and assessment of internal audit practice at Addis Ababa City Roads Authority.

The researcher has been distributed questionnaires to 20 workers for different departments. Out of these questionnaires, 20 (100%) of them are properly filled and returned. The responses obtained from the respondents are analyzed as follows;

4.1. Summary of the Respondents profile

TABLE 1 BACKGROUND OF THE RESPONDENTS

No	Particular		Respondent	
			No	%
1	Sex	Male	17	85%
		Female	3	15%
		Total	20	100%
2	Academic status	Certificate	0	0%
		Diploma	0	0%
		Degree	9	45%
		M.A	11	55%
		Other	0	0%
		Total	20	100%

Source (primary data)

As can be seen from table 1, item No1. The respondents are 20 in number, out of which 17 (85%) of the respondents are male and the rest, i.e. 3 (15%) are female. In the same table item No 2 shows the Academic status of staff are showing 9 (45%) are Degree holders and 11(55%) are M.A. holder. This means that most of the employees of the organization are degree and above holder.

TABLE 2 WORK EXPERIENCE AND POSITION/ RESPONSIBILITY

No	Particular		Respondent	
			No	%
1	Work experience	Below 5 years	1	5%
		5-10 years	4	20%
		11-15 years	5	25%
		Above 15 years	10	50%
		Total	20	100%

Source; (primary data)

As can be seen from table 2 item No 1 related with work experience 1 (5%) of the respondents are below 5 years of work experience, 4 (20%) of the respondents are with work experience in the range of 5-10 years. 5 (25%) of the respondents are with work experience in the range of 11-15 years and 10 (50%) of the respondents are above 15 years experience. As can be seen from the above data, researcher can get good information from the respondents because majority of them are experienced.

4.2.1. The internal auditor's Identification of the problem areas.

Areas of interest are determined by managements with recommendations from all departmental areas within the organization including finance, operations, and procurement and human resources. Risk and audit opportunities are often cyclic and arise within the same department or procedure repeatedly over time, often for varying reasons.

TABLE 3 THE INTERNAL AUDITOR'S IDENTIFICATION OF THE PROBLEM AREAS

No	Evaluation of Audit	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Information gathering activities of the internal auditors	1	5%	4	20%	5	25%	6	30%	4	20%	20	100%

Source; (primary data)

As can be seen from the above table 5(25%) of the respondents are rate auditor identification of problem areas and delays as adequate, 1(5%) respondent rate very strong, 6(30%) of the respondents are rate needs improvement, 4(20%) of the respondents are rate strong while the remaining 4(20%) are rated as poor. From this, it is easy to point auditor’s ability to identify problem areas need Improvement. This implies that the activities of internal auditors of the company did not give emphasis on the identification of problem areas and delays

4.2.2. Assessing the Risk of the Internal Auditors.

Internal controls promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations. Because internal control serves many important purposes, there are increasing calls for better internal control systems and report cards on them.

TABLE 4 ASSESSING THE RISK OF THE INTERNAL AUDITOR

NO	Evaluation of Audit regarding	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Assessing of risk by the internal Auditors	0	0%	4	20%	9	45%	4	20%	3	15%	20	100%

Source; (primary data)

As can be seen from table 4 above 9(45%) of the respondents rated the auditors effectiveness in assessing risk the company faces as adequate,4(20%) of the respondents rate need improvement,4(20%) rate strong while the remaining respondents, i.e. 3(15%) rated it as poor. The data collected highlight the department is adequate in assessing risk and uncertainties faced by the company. Based on this, the internal auditors assess problems and predict the future risk to prevent when it occur.

4.2.3 The Comprehensiveness of the Internal Audit Plan

Plan of internal auditing should be comprehensive with the examination and evaluation of the adequacy and effectiveness of the organization’s system of internal control and the quality of performance in carrying out assigned responsibilities. Internal auditors should:

Review the reliability and integrity of financial and operating information and the means used to identify measure, classify, and report such information.

Review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.

Review is the means of safeguarding assets and, as appropriate, verify the existence of such assets.

Appraise the economy and efficiency with which resources are employed.

Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

TABLE 5 THE COMPREHENSIVENESS OF THE INTERNAL AUDIT PLAN

No	Evaluation of Audit interims of	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Comprhasivness of the audit plan	1	5%	4	20%	8	40%	4	20%	3	15%	20	100%

Source ;(primary data)

As can be seen from table 5. 8(40%) of the respondents rated the comprehensiveness of audit plan as adequate, 4(20%) of the respondents rated needs improvement, 4(20%) of the respondents rated it as strong,3(15%)of the respondents are rated it as poor and the remaining 1(5%)respondent is very strong. Based on the data collected it can be said that the audit plan is adequate

4.2.4. The Clarity of the Internal Audit Activity

It is important that the role of internal audit is clearly set out and that this is distinguished from management’s responsibilities. For each of the components of the scope of audit the expectation of audit’s role should be defined. This will include the audit role in respect of coverage of fraud, compliance matters and value for addressing these matters while audit would review the risk management, control and governance systems that ensure these objectives are achieved. It is possible to provide further detail by outlining internal audit’s duty to prepare plans and undertake the required work to professional auditing standards.

TABLE 6 THE CLARITY OF THE INTERNAL AUDIT ACTIVITY

No	Evaluation of Audit	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	The quality of internal audit in terms of clarity	0	0%	7	35%	9	45%	2	10%	1	5%	20	100%

Source ;(primary data)

The above table highlight the strength of the department in terms of clarity as most of the respondents, i.e. 9(45%) rated it as adequate, 7(35%) rated as strong, 2(10%) rated as needs

improvement while the rest 1(5%) rated as poor. This shows that the internal auditors clearly distinguish between tasks and responsibilities during their activity.

4.2.5 The Activity of Internal Auditors on Coverage of the Priority Area

The main area internal audit cover should be a feature of the audit charter. This may be in line with the key control objectives that are found in the Performance Standard 2110.A2 which states that: the internal audit activity should evaluate risk exposures relating to the organization's governance, operations and information systems regarding the:-

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations.
- Safeguarding of assets.

TABLE 7 THE ACTIVITY OF INTERNAL AUDITORS ON COVERAGE OF THE PRIORITY AREA

No	Evaluation of The Audit	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Quality of internal audit in terms of coverage of the priority area	0	0%	5	25%	8	40%	4	20%	3	15%	20	100%

Source ;(primary data)

Table 7 shows present quality in terms of coverage. The data collected shows that no one rated as very strong 0(0%), 5(25%) rated strong, 8(40%) of the respondents said adequate, 4(20%) of them rated as needs improvement and 3(15%) rated poor. This implies the fact that the majority of the respondents believes on the quality of internal auditors in terms of coverage of the priority area is Adequate.

4.2.6 The Plan of Internal Audit in Terms of Time Line.

Operations and programs provide managers with reasonable assurance that the operations and programs are being carried out as planned, and that the results of operations are consistent with established goals and objectives within the time line of the plan.

Table 8. The plan of internal audit in terms of time line

No	Evaluation of Audit	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Quality of internal audit in terms of time line	1	5%	3	15%	11	55%	3	15%	2	10%	20	100%

Source ;(primary data)

As can be seen from table, 1 (5%) of respondents rated the timelines of internal audit plan is very strong, 3(15%) of the respondents are rated strong, 11(55%) of the respondents rated adequate, 3(15%) of the respondents rated needs improvement while 2(10%) respondents rated poor time line. Based on the data collected it can be said, with reasonable level of assurance that there is a no delay in the preparation of audit plan.

4.3.1. The Demonstration of Professionalism of the Internal Auditors

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communication information. Internal auditors make a balanced assessment of all relevant circumstances and are unduly influenced by their own interests or by others. Internal auditors avoid activities and relationships that might be seen to undermine their objectivity.

TABLE 9 THE DEMONSTRATION OF PROFESSIONALISM OF THE INTERNAL AUDITORS

No	Evaluation of Audit in terms of	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Activities of internal auditors on the demonstration of professionalism?	0	0%	6	30%	9	45%	4	20%	1	5%	20	100%

Source; (primary data)

As can be seen from table 9, 0(0%) of the respondents rated the internal auditors on the demonstration of professionalism in the audit area as very strong, 6(30%) of the respondent rated strong, 9(45%) of the respondent rated adequate. However, 4 (20%) of respondents rated the adequacy of the internal auditors on the professionalism in the audit area needs improvement while 1(5%) respondent rate poor. This implies the fact that the internal auditors perform to some extent with gathering, evaluating and communicating the information and this indicate internal auditors demonstrate through professionalism.

4.3.2 Demonstration of Positive Approach of the Internal Auditors

In both good and bad times, a positive approach of the internal control system must be able to drive their companies forward with confidence, at an appropriate speed and direction with the purpose of safeguarding the resources and ensure the adequacy of records and systems of accountability. If the internal control system is ineffective the management process will also be ineffective. Hence positive approach is important.

TABLE 10 DEMONSTRATION OF POSITIVE APPROACH OF THE INTERNAL AUDITORS

NO	Evaluation of Audit in terms of	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Demonstration of positive approach of the internal auditors	0	0%	5	25%	6	30%	7	35%	2	10%	20	100%

Source ;(primary data)

As can be seen from table 10, 0(0%) of the respondent rated very strong, and 5(25%) rated the internal auditors on demonstration of positive approach as strong, While 6 (30%) of the respondents rated internal auditors on demonstration of positive approach as adequate, 7(35%) of the respondent rated need improvement and the rest 2(10%) respondent rated poor. Based on the data collected majority of the respondents believe the internal auditors’ evaluation of the company’s control process lack positive approach. This implies the fact that the internal auditors evaluate all activities with violating the controlling process of the company.

4.3.3. The Demonstration of Constructiveness of the Internal Auditors

The Internal audit is there to prevent and detect error and loss, whether fraudulent of accidental, and to report all violation, internal audit may feel their primary responsibility is to appraise either efficiency or effectiveness of systems and make constructive recommendations for improvement.

TABLE 11 THE DEMONSTRATION OF CONSTRUCTIVENESS OF THE INTERNAL AUDITORS

NO	Evaluation of Audit in terms of	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Internal auditors on the demonstration of constructiveness (advantage)	1	5%	4	20%	9	45%	5	25%	1	5%	20	100%

Source ;(primary data)

As can be seen from table 11. Item 1. 1(5%) of the respondents rated the internal auditors on the demonstration of constructiveness as very strong and poor respectively. 4(20%) respondent rated strong, 9(45%) of the respondent rated adequate while 5(25%) of the respondents rated as need improvement. Based on the data collected it can be said that, the internal auditors did not as such perform in preventing and detecting error, loss and reporting all violation in useful manner to the organization.

4.3.4. Information Evaluation objectivity of the Internal Auditors

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communication information. Internal auditors make a balanced assessment of all relevant circumstances and are unduly influenced by their own interests or by others. Internal auditors avoid activities and relationships that might be seen to undermine their objectivity.

TABLE 12 INFORMATION EVALUATIONS OBJECTIVITY OF THE INTERNAL AUDITORS

Item	Evaluation of the Audit in terms of	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Information evaluative objectivity of the internal auditors	1	5%	5	25%	7	35%	4	20%	3	15%	20	100%

Source; (primary data)

As can be seen from table 12 Item 1, 1(5%) of the respondents rated the internal auditors regarding their evaluation on information and communication as very strong, 5(25%) of the respondent rated strong, 7(35%) of the respondent rated adequate, 4(20%) of the respondent rated needs improvement While the remaining 3 (15%) rated it as poor. Based on the data collected it can be said that, majority of the respondents believed the activity of the auditors on the evaluation of information as adequate. This implies the fact that the internal auditors evaluate the gathered information and evaluation is not as such based on objective evidence.

4.3.5. Information Gathering Activity of the Internal Auditors

Internal auditors make a balanced assessment of all relevant circumstances and are unduly influenced by their own interests or by others when they exhibit the highest level of professional objectivity in gathering, evaluating and communication information. Internal auditors avoid activities and relationships that might be seen to undermine their objectivity.

TABLE 13 INFORMATION GATHERING ACTIVITIES OF THE INTERNAL AUDITORS

No	Evaluation of Audit	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Information gathering activities of the internal auditors	0	0%	4	20%	10	50%	2	10%	4	20%	20	100%

Source; (primary data)

As can be seen from table 13,0(0%) of the respondents rated the process of collecting sufficient and appropriate evidence as V. strong, 4(20%) of the respondent rated strong,10(50%) of the respondent rated as adequate while the remaining 2(10%) and 4(20%) rated as needs

improvement and poor respectively. From this it can be said that internal auditors give a reasonable assurance based on sufficient and appropriate evidence. This implies the fact that internal auditors adequately gather the information for evaluation.

4.4.1 Assessing the Control Role of the Internal Auditors

Internal controls are put in place to keep the company on course toward sustainability goals and achievement of its mission, and to minimize surprises along the way. They enable management to deal with rapidly changing economic surprises along the way. Internal controls promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations.

Table 14 assessing the control role of the internal auditors

No	Evaluation of the Audit interims of	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Assessing the control role of the internal auditors	1	5%	6	30%	4	20%	5	25%	4	20%	20	100%

Source ;(primary data)

As can be seen from table 14 item 1(5%) of the respondents rated the internal auditor's evaluation of the company's control process as very strong. While 6(30%) of the respondents believed it to be strong, 4(20) rated as adequate, 5(25%) rated as need improvement and 4(20%) rated as poor. Based on the data collected it can be said that majority of the respondents believe the company control process is strong.

4.4.2 Improvement of the Company's Control Process by the Internal Auditors

Internal controls promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations. Because internal control serves many important purposes, there are increasing calls for better internal control systems and report cards on them. Internal control is looked upon more and more as a solution to a variety of potential problems.

TABLE 15 IMPROVEMENT OF THE COMPANY'S CONTROL PROCESS BY THE INTERNAL AUDITORS

NO	Evaluation of Audit In terms of	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Improvement of the company's control process by the internal auditors	0	0%	6	30%	5	25%	6	30%	3	15%	20	100%

Source; (primary data)

As can be seen from table 15 .0(0%) of the respondents rated the internal auditors contribution on the continuous improvement of the company's control process as very strong, and while 6 (30%) strong, 6(30%) needs improvement and 3(15%) rated as poor. Based on the data collected it can be said that majority of the respondent believe strong and need improvement. This implies the fact that the internal auditors continuously improve the company's control process and also there are some areas that need be improvement.

4.4.3The Disruption of Daily Activities on Control System

The scope of internal auditing should encompass the examination and evaluation of the adequacy and effectiveness of the daily activities of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities.

TABLE 16 THE DISRUPTION OF DAILY ACTIVITIES ON CONTROL SYSTEM

Item	Evaluation of the Audit in terms of	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	Disruption of the daily activities on control system	2	10%	3	15%	5	25%	7	35%	3	15%	20	100%

Source; (primary data)

As can be seen from table 16 item 1. 2(10%) of the respondents rated the controlling activities of the internal auditors on the disruption of daily activities as very strong,3(15%) of the respondent rated as strong,5(25%) of the respondent rated as adequate. While 7 (35%) rated it as needs improvement and 3(15%) rated as poor. The data indicated that majority of the respondents believe the internal auditors activity have a disruption on daily activities. This implies the fact that controlling system of the internal auditors disrupts the daily activity.

4.4.4 The Internal Auditors on Assessing the Problems and their Sources

Internal control is looked upon more and more as a solution to a variety of potential problems to deal with rapidly changing economic and competitive environments, shifting customer demands and priorities, and restructuring for future growth. Internal controls promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations. Because internal control serves many important purposes, there are increasing calls for better internal control systems and report.

TABLE 17 THE INTERNAL AUDITORS ON ASSESSING THE PROBLEMS AND THEIR SOURCES

No	Evaluation of Audit in terms of	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	The internal auditors on assessing the problems and their sources	2	10%	1	5%	7	35%	7	35%	3	15%	20	100%

Source; (primary data)

As can be seen from table 17 item 2(10%) of the respondents rated the controlling activities of the internal auditors on assessing the problems and their sources as very strong, 1(5%) of the respondents is rated strong. While 7 (35%) of them rated it adequate and need improvement respectively, And 3(15%) rated poor. As the data indicated, majority of the respondents believe that the activity of the internal auditors on assessing problems and their sources is Need improvement and Adequate.

4.5.1 The Internal Auditors’ Compliance of the Employees’ Action with the Policy

Superior policies, procedures, or controls are of no value unless they are carefully followed in practice. Thus, once the internal auditor has evaluated a given plan of organization and operation, he will endeavor to ascertain whether the planned program is actually being carried out in practice. The techniques range from inquiry and observation to examination of the records and reports prepared and proof of completed work to establish that the work has been properly performed. The compliance activities of internal auditor are particularly important in companies with extensive branch operations.

TABLE 18 THE INTERNAL AUDITORS’ COMPLIANCE OF THE EMPLOYEES’ ACTION WITH THE POLICY

No	Evaluation of Audit in terms of	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	The internal auditors compliance of the employee action with the policy	2	10%	5	25%	9	45%	2	10%	2	10%	20	100%

SOURCE; (PRIMARY DATA)

As can be seen from table 18. 2(10%) of the respondents rated the contribution of the internal auditors on the employees action in compliance with policies rated as very strong, 5(25%) of the respondent rated as strong,9(45%) of the respondent rated as adequate. while 2 (10%) and 2(10%) of them rated it as needs improvement and poor respectively . As the data indicated, majority of the respondents adequately believe on the internal auditors in compliance with the policy. This implies the fact that the employees of the company perform their task effectively and efficiently.

4.5.2 Internal Auditors' Compliance with Laws and Regulations on Employee Action

The internal auditors' compliance with laws and regulations are particularly important in companies with extensive branch operations. Superior policies, procedures, or controls are of no value unless they are carefully followed in practice. Thus, once the internal auditor has evaluated a given plan of organization and operation, he will endeavor to ascertain whether the planned program is actually being carried out in practice. The techniques range from inquiry and observation to examination of the records and reports prepared and proof of completed work to establish that the work has been properly performed.

TABLE 19 THE ACTIVITIES OF THE INTERNAL AUDITORS ON THE DEGREE OF COMPLIANCE WITH RULES AND REGULATIONS

No	Evaluation of Audit in terms of	Very strong		Strong		Adequate		Need improvement		Poor		Total	
		No	Percent	No	Percent	No	Percent	No	Percent	No	Percent	No	Percent
1	The activities of the internal auditors on the degree of compliance with rules and regulation	3	15%	4	20%	7	35%	4	20%	2	10%	20	100%

Source; (primary data)

As can be seen from table 19. 3(15%) of the respondents rated the contribution of the internal auditors in compliance with rules and regulations of the company as very strong, 4(20%) rated as strong, 7(35%) as adequate. While 4 (20%) and 2(10%) rated it as needs improvement and poor respectively. As the data indicated majority of the respondents adequately believe on the contribution of the internal auditors in taking actions for the cases that deviate from rules and regulations of the company. This implies the fact that the internal auditor work adequately to secure the company laws and regulation.

CHAPTER FIVE

Finding, Conclusion & Recommendation

The findings which are found from the primary source of the study are summarized, concluded and recommendation is provided in this chapter.

5.1. Summary of Findings

The findings of the primary data on The Addis Ababa City Roads Authority Internal auditor's activities would be summarized as follow.

- The internal auditors identification of the problem area need improvement
- Assessing the risk of by internal auditors is believed that adequate.
- Majority of respondents believed that the quality of internal auditor plan in terms of comprehensive is adequate
- The clarity of the internal audit activities believed by the majority of the respondents as adequate
- The majority of respondents believes that the activities of the internal auditors on the coverage of the priority area is adequate
- Majority of the respondents believes that the internal auditors plan in terms of time line is adequate
- Majority of the respondents believe that the demonstration of professionalism of the internal auditors are adequate
- Majority of the respondents believe that the demonstration of positive approach of the internal auditors is need improvement
- Most respondents rated the demonstration of constructiveness of the internal auditors is adequate
- Information evaluation objectivity of the internal auditors is rated by majority of the respondents as adequate
- The majority of the respondents are rated the information gathering activity of the internal auditors as adequate
- The majority of the respondents are rated the assessing control role of the internal auditors as strong
- The majority of the respondents is rated as strong and need improvement of the improvement of the company's control process by the internal auditors.
- The majority of the respondents rated as the disruption of the daily activity on control system is need improvement
- The majority of the respondents believes that the activity of the internal auditors on assessing problems and their source is need improvement and adequate
- As the data indicated majority of the respondents adequately believe on the internal auditors in compliance with the policy as the employees actions
- Majority of the respondents are rated as the internal auditor's compliance with laws and regulations on employee action as adequate.

5.2. Conclusions

From this research, I conclude that the overall internal audit practices of Addis Ababa City roads Authority is more or less adequate even though there are some issues that are not addressed to practice internal auditing service effectively and efficiently.

- The internal auditor's identification of the problem area is need improvement.
- Assessing of the risk area by the internal auditors is adequate.
- The quality of internal audit plan in terms of comprhasivness is adequate.
- The demonstration of positive approach of the internal auditors is low
- Information evaluation of objectivity of the internal auditors are good
- The disruption of the daily activity on control system by the internal auditors are need improvement
- The internal auditors in compliance with the policy employees of the employees action
- The Internal auditors compliance with laws and regulations on employees action is adequate

5.3. Recommendations

The main purpose of this research is to evaluate the internal audit of Addis Ababa City Roads Authority .Based on these study findings, I suggest the following Recommendation to improve the internal auditing activity of the company.

- The internal auditors should identify problems area of the company.
- The internal auditors should perform their activities with good positive approach.
- The Internal auditors should not be disruption on daily activities on control systems.
- The internal auditors should identify problems and their sources.
- The internal auditors should keep their strength on the assessing control roles.

5.4. DIRECTOONS FOR FUTURE RESEARCH

No any study can be free from limitation. Accordingly, this study has focused on assessing the internal audit practice in Addis Ababa City Roads authority .consequently the findings of this study may be difficult to generalize about all Construction company in Addis Ababa city Administration and at national level.

This study will improved if it will be done, at other region, in other government organization, and other private construction company by increasing sampling and by comparing the assessment of audit practices.

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Appendix

St. Mary's University
Department of Accounting
Purpose of the Questioners

This questionnaire is prepared by the student researcher of St.mary's university for the partial fulfillment of Master's Degree in accounting and Finance. This is aimed to evaluate that internal audit practice of audit department and their function. The questioners are distributed to Addis Ababa City Roads Authority. All information will be kept confidential and the result of the study will be used only for academic purpose. Believing of that your reliable and honest response will be great contribution to the success of the study.

Finally I want to thank you for your kind cooperation.

Instructions

- There is no need to write your name
- You are cordially requested to chose the answer from the list or write your answer briefly on the space provided
- Please try to return the questioner form with the given time
- Please put tick mark (√) on the box for your response.

THANK YOU FOR YOUR COOPERATION!!!

1. Personal Information

1.1 Sex

Male

Female

1.2 Academic Status

Diploma

Degree

Masters Degree

Others

1.3 Work Experience

Below 5 years

11-15 years

5-10 years

Above 15 years

1.4 Responsibility/ Position

.....

2. Assessing the risk faced

2.1. How do you rate the activities of the company internal auditors on identification of problem areas and delays?

Very strong
Strong
Adequate

Need improvement
Poor

- If your response is strong, very strong please state your reason

.....

- If your response is Poor please state your reason

.....

2.2. How do you rate the internal auditor assessment of risk?

Very strong
Strong
Adequate

Need improvement
Poor

- If your response is strong, very strong please state your reason

.....

- If your response is Poor please state your reason

.....

2.3. How do you rate the quality if internal audit plan in terms of comprehensiveness?

Very strong
Strong
Adequate

Need improvement
Poor

- If your response is strong, very strong please state your reason

.....

- If your response is Poor please state your reason

.....

2.4. How do you rate the quality of internal audit in terms of clarity?

Very strong
Strong
Adequate

Need improvement
Poor

- If your response is strong, very strong please state your reason

.....

- If your response is Poor please state your reason

.....

2.5 How do you rate the quality of internal audit in terms of coverage of Priority area?

Very strong	<input type="checkbox"/>	Need improvement	<input type="checkbox"/>
Strong	<input type="checkbox"/>	Poor	<input type="checkbox"/>
Adequate	<input type="checkbox"/>		

- If your response is strong, very strong please state your reason
.....
- If your response is Poor please state your reason
.....

2.6 How do you rate the quality of internal audit plan in terms of time line?

Very strong	<input type="checkbox"/>	Need improvement	<input type="checkbox"/>
Strong	<input type="checkbox"/>	Poor	<input type="checkbox"/>
Adequate	<input type="checkbox"/>		

- If your response is strong, very strong please state your reason
.....
- If your response is Poor please state your reason
.....

3. Information and communication practices of the internal audit.

3.1. How do you rate the activities of internal auditors on the demonstration of professionalism?

Very strong	<input type="checkbox"/>	Need improvement	<input type="checkbox"/>
Strong	<input type="checkbox"/>	Poor	<input type="checkbox"/>
Adequate	<input type="checkbox"/>		

- If your response is strong, very strong please state your reason
.....
- If your response is Poor please state your reason
.....

3.2 How do you rate the activities of internal auditors on the demonstration of Positive Approach?

Very strong	<input type="checkbox"/>	Need improvement	<input type="checkbox"/>
Strong	<input type="checkbox"/>	Poor	<input type="checkbox"/>
Adequate	<input type="checkbox"/>		

- If your response is strong, very strong please state your reason
.....

- If your response is Poor please state your reason

.....

3.3 How do you rate the activity of internal auditors on the demonstration of Constructiveness?

Very strong
Strong
Adequate

Need improvement
Poor

- If your response is strong, very strong please state your reason

.....

- If your response is Poor please state your reason

.....

3.4 How do you rate the objectiveness of internal auditors regarding his/her Evaluation of information and communication?

Very strong
Strong
Adequate

Need improvement
Poor

- If your response is strong, very strong please state your reason

.....

- If your response is Poor please state your reason

.....

3.5 How do you rate the information gathering activities of the internal auditors?

Very strong
Strong
Adequate

Need improvement
Poor

- If your response is strong, very strong please state your reason

.....

- If your response is Poor please state your reason

.....

4. Assessing the control role of the internal auditors?

4.1. How do you rate the internal auditor evaluation of the company's control process?

Very strong	<input type="checkbox"/>	Need improvement	<input type="checkbox"/>
Strong	<input type="checkbox"/>	Poor	<input type="checkbox"/>
Adequate	<input type="checkbox"/>		

- If your response is strong, very strong please state your reason

.....

- If your response is Poor please state your reason

.....

4.2. How do you rate the internal auditors' contribution on the continued improvement on the company's control process?

Very strong	<input type="checkbox"/>	Need improvement	<input type="checkbox"/>
Strong	<input type="checkbox"/>	Poor	<input type="checkbox"/>
Adequate	<input type="checkbox"/>		

- If your response is strong, very strong please state your reason

.....

- If your response is Poor please state your reason

.....

4.3. How do you rate the controlling activities of the internal auditors?

Very strong	<input type="checkbox"/>	Need improvement	<input type="checkbox"/>
Strong	<input type="checkbox"/>	Poor	<input type="checkbox"/>
Adequate	<input type="checkbox"/>		

- If your response is strong, very strong please state your reason

.....

- If your response is Poor please state your reason

.....

4.4. How do you rate the controlling activity of the internal auditors on assessing the problems and their sources?

Very strong	<input type="checkbox"/>	Need improvement	<input type="checkbox"/>
Strong	<input type="checkbox"/>	Poor	<input type="checkbox"/>

Adequate

- If your response is strong, very strong please state your reason
.....
- If your response is Poor please state your reason
.....

5. The activity of the internal auditor on the degree of compliance with rules and regulations?

5.1. How do you rate the contribution of internal auditors on the employee's action in compliance with polices.

Very strong	<input type="checkbox"/>	Need improvement	<input type="checkbox"/>
Strong	<input type="checkbox"/>	Poor	<input type="checkbox"/>
Adequate	<input type="checkbox"/>		

- If your response is strong, very strong please state your reason
.....
- If your response is Poor please state your reason
.....

5.2. How do you rate the contribution of internal auditors control over action that deviate from law & regulations?

Very strong	<input type="checkbox"/>	Need improvement	<input type="checkbox"/>
Strong	<input type="checkbox"/>	Poor	<input type="checkbox"/>
Adequate	<input type="checkbox"/>		

- If your response is strong, very strong please state your reason
.....
- If your response is Poor please state your reason
.....

6. The activity of internal control on human resource recruitment process

6.1. How does the activity of internal control measure in assessing the recruitment process according to the HR code of conduct?

Very strong	<input type="checkbox"/>	Need improvement	<input type="checkbox"/>
Strong	<input type="checkbox"/>	Poor	<input type="checkbox"/>
Adequate	<input type="checkbox"/>		

6.2. What are the reasons for high employment turnover?

Dissatisfaction in benefit	<input type="checkbox"/>
Promotion mechanism	<input type="checkbox"/>
Management intervention	<input type="checkbox"/>

6.3 Does the internal auditor involve in the recruitment process?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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