



ASSESSMENT OF INTERNAL AUDITING PRACTICE IN GOBA TELCOM

**SENTY MARY'S UNIVERSTY COLLEGE OPEN AND
DISTANCE LEARNING RESEARCH ESSAYE IN PARTIAL
FULFILMENT OF BACHELOR DEGREE IN ACCOUNTING**

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BALE GOBA

ETHIOPIA

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ABSTRACT

Internal audit is an independent appraisal activity within an organization for the review of operation as a service to management. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes.

The objective of this research to assess the internal auditing practice in Goba telecom the student researcher uses questioners and interview to collect the data. The data gathered has been analyzed using different statistical, tools, like tables percentage.

Based on my finding in Goba telecom there is reliability and integrity of information and also compliance with policies, plans, procedures, laws, and regulation of the organization. Based on the problems recommendations are suggested.

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operation. It helps and organizations accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. Internal auditing is a catalyst for improving an organization's governance; risk management and management control by providing insight based on analyses and assessments data and business processes with commitment to integrity accountability, internal auditing provides value to governing bodies and senior management as an objective source of independent advice.

In most organization internal audit practice is not yet developed due to that different types of problems seen for instance fail to review the reliability and integrity of the information fail to compliance with policy and regulation and not properly control of the asset of the organization.

1.2. Background of the organization

Goba telecom is one of the most profitable governmental organization. As we know Goba telecom is found in oromia region Bale Zone Gobawereda south west of Addis Ababa around 445 km. when Ethiopia telecommunication corporation was replaced by Ethio Telecom on December 2, 2010..... Retrieved from "[http widepedia.org/w/index.php?GobaTelecommunication](http://widepedia.org/w/index.php?GobaTelecommunication) Corporation also replaced by Goba telecom because Goba telecom is a branch of Ethio telecom.

According to the profile of the organization indicates Goba telecom is interpreted what the organization accepted from the Federal Government. Know the organization provides SIM card, mobile card and different qualified mobiles for the society additionally gives line telephone service for different organization and for the society.

1.3. Statement of the problem

The role of internal auditor currently, is readily extended to include the determination of whether operating units follow all of the organization's operating policies and whether the established policies provide sound and effective control over all operations. The extension of internal auditing into these operational activities required internal auditor with specialized knowledge in other disciplines such as economics, law, finance, statistics, computer processing, engineering and taxation.

Internal auditor should consist members of an organization in the effective discharge of their responsibilities. The objective of internal auditor includes promoting throughout the organization of reasonable cost.

Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information reviewing the system established to insure compliance with those policies, plans, procedures, laws, and regulations that have a significant impact on operations and determining whether the organization is in compliance.

Reviewing the means of safeguarding assets and as appropriate, verifying the existence of such assets However in Goba tell communication corporation these seems likely to be no system well establish to compliance with those policies, plans, procedure, laws and regulation that have a significant impact an operation and reports determining whether the organization is compliance

more over based on this, the researcher try to answer the following research question.

- Does the organization has reviewing the reliability and integrity of financial and operating information?
- Does the organization has determine whether compliance with policies, plans, procedures, laws and regulations?
- How verifying and safeguarding the existence of an asset?

1.4. Objective of the study

- Reliability and integrity of information
- Compliance with policies, plans, procedures, laws and regulations.
- Safeguarding the asset

1.5. Specific objective of the study

- To evaluate the reliability and integrity of information.
- To evaluate the organization compliance with policies, plans, procedures. Laws and regulations
- To evaluate how the organization safe grade the asset.

1.6. Significance of the study

In this research I want to provide reliable and accurate information about Goba tell communication corporation concerning of their reliable and integrity of the organization, their rule and policy of the organization and safe grade of the asset for the society.

1.7. Scope of the study

This research conducted on Goba telecom of internal audit practice the research is limited on the assessment of internal audit.

1.8. Limitation of the study

- Limitation of reference book about internal audit.
- Limitation qualified web access
- Limitation of finance
- Limitation of other related materials.

1.9. Delimitation of the study

Generally, no delimitation during the written time.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Definition of internal auditing

Internal audit is a review of operations and records undertaken within a business by specially assigned staff. Internal audit is an independent appraisal activity within an organization for the review of operation as a service to management. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. ([http://www internal auditing](http://www.internalauditing.com))

2.2. History of internal auditing

The internal auditing profession evolved steadily with the progress of management science after world war II. It is conceptually similar in many ways to financial auditing by public accounting quality assurance and banking compliance activities while some of the audit technique underlying internal auditing derived from management and public accounting professions the theory of internal auditing was conceived primarily by Lawrence Sawyer (1911-2002) ([http://www internal auditing](http://www.internalauditing.com))

2.3. Internal audit philosophy

Sawyer after talked about “catching a manager doing something right”.

Sawyer helped make internal auditing more relevant and more interesting through sharp focus on operational or performance auditing. He strongly encouraged looking beyond financial statement auditing in to areas such as purchasing warehousing and distribution, human resource, information technology, facilities management, customer and program management. This

approach helped catapult the chief audit executive into the role of a respected and knowledgeable advisor who was through to be reasonable objective and concerned about helping the organization achieve the stated goals.

Internal audit (section audit philosophy)

Internal auditing is an independent, objective assurance and consulting activity auditing and the current philosophy theory and practice 21KB (2,878 words) 8 April 2013

According to HOWARD F. STETTER, “Internal audit is the audit of company affairs and activities from within” Professor Walter B. Meigs of America of Says “....internal auditing consists of continuous, critical review functioning as full-time salaried employees. ([http://www.audit philosophy](http://www.auditphilosophy.com))

2.4. Phases of an internal auditing

There are four major phases internal auditing

2.4.1.Planning

In the planning phase the internal auditor establishes clear-cut audit objectives to avoid aimless investigations into insignificant area. Internal auditing utilizes three steps to complete this phase of the audit project.

2.4.2.Entrance conference

Representatives of the internal audit meet with client management before the audit field work begins to discuss the audit objectives approximate duration of the audit work space requirements for the audit team, and the audit report process.

2.4.3. Preliminary survey

This is a general information gathering process used by the internal auditor to obtain an overview of the client's operations and policies.

2.4.4. Planning memorandum

The planning memorandum presents the internal auditor's understanding of the function(s) to be audited, the objectives of the project, the audit procedures to be used to accomplish the objectives, a budget of resources needed, any special aspect to be considered, the period to be audited, any departmental audit contacts. Auditing principles II (Acct – 302)

2.5. Field work

Audit field work can be classified into four categories.

2.5.1. System analysis and evaluation

Much of the audit work performed is based on management's system of internal control.

2.5.2. Transaction testing

To determine if the reported controls are functioning as intended, the audit team selects samples of documents and inspects them for compliance with stated procedures and practices.

2.5.3. Progress reporting

The audit team leader meets with the designated management representative.

2.6. Exit conference

Is a meeting between the audit team and client management? There are three phase approaches to audit report preparation.

2.6.1. Informal rough draft

After the audit work is completed, the internal auditor prepares a rough draft of the audit report.

2.6.2. Discussion draft

After under going internal review, the report is forwarded to the client with the notation.

2.6.3. Final report

The final report is prepared based on the results of the exit conference.

2.7. Audit follow-up

The internal audit office contacts the audit client to request a status report on the corrective action taken to date. Auditing principles II (Acct-302)

2.8. Features of an internal audit

2.8.1. There are two essential features of an internal audit

- A. It should operate independently of the internal check; and
- B. In no circumstances, it should divert any one of the responsibilities placed upon him.

Internal audit is no substitute for statutory audit on accounting matters the internal auditor and the statutory auditor operate largely in the same field and they have a common interest in ascertaining that there is:

- An adequate system of accounting to provide the information necessary for preparing true and fair financial statement.
- An effective system of internal check to prevent or detect errors and frauds and that it is operating satisfactorily.

An internal auditor and statutory auditor both have to:

- Examine the system of internal check
- Check the accounting records
- Verify the assets and liabilities
- Make statistical comparisons and make enquiries wherever necessary

Although the two forms of audit have a common interest in the important matters as mentioned above there are some important differences:

- The responsibility of an internal auditor is to the management whereas the statutory auditor is responsible to the shareholders.
- The extent of the work undertaken by the internal auditor is determined by the management whereas that of statutory auditor arises from the responsibilities placed on him by the law.
- Law requires that each company must get its accounts audited by a qualified chartered accountant whereas the appointment of an internal auditor is optional and not a legal necessity.
- The approach of an internal auditor is with a view to ensure that the accounting system is efficient so that the accounting information placed to the management throughout the period is accurate and discloses material facts. The approach of the statutory auditor is however governed by the statute and his duty to the share holders, and satisfies himself that the accounts show a true and fair view of the state of the company's affairs at the end of that period.

Internal audit cannot replace internal check. The expressions 'internal audit and internal check' are often used indiscriminately and therefore, is considered necessary to distinguish between the two. Internal control indicates the whole system of controls financial and otherwise, established by the management audit and other forms of control. Internal check includes check on the day-to-day transactions which operate continuously as part of the routine system, whereby the work of one person is proved independently or is complementary to the work of another. The soundness of the system of

internal check and the manner in which it is carried out, are matters of fundamental importance to the statutory auditor.

What are the special points to be kept in mind by an auditor while auditing the books of a cooperative society?

- Audit of a cooperative society in this regard the auditor should carefully;
- Study in detail the provisions of the societies act and the bye laws of the society under audit
- Check the membership register
- Check the powers of the office bearers of the society.
- Examine the internal control system thoroughly
- Vouch all receipts and payments
- Check all loans advanced by the society to its members

The auditor of a cooperative society must be allowed an access at all times to all the books of accounts and the documents or vouchers. He can or rather should examine all of these and satisfy himself that the balance sheet and profit and loss a/c have been drawn up in accordance with the prescribed Performa. The auditor should also submit his “audit report” as required by the registrar of cooperative societies. In fact, while auditing, an auditor is to completely review the whole of the functioning of the society. Auditing Dr. R. C. Bhartia 2005

2.9. Characteristics of internal auditors

Internal auditors are employed by individual companies to audit for management much as the OAG does for the government.

Internal auditors’ responsibilities very considerably consist of only one or two employee who may spend most of the time doing routine compliance auditing other internal audit staff consist of numerous employees who have direr be

responsibilities including many outside the accounting area. To operate effectively, an internal auditor must be independent of the line function of internal auditors provide management with the available effective operation of its business. Users from outside the entity are unlikely to rely on information verified by internal auditors b/c of their lack of independence. This lake of independence the major difference b/n internal auditors because of their lack of independence. This lack of independence the major difference between auditors and independent auditors.

2.10. Distinction between external and internal audit

Table 1: Distinction between external and internal audit

	Point of distinction	External audit	Internal audit
1	Status of auditor and remuneration	Wholly independent of the enterprise hired for fees only for his professional services	An employee of the enterprise working for a salary
2	Scope	Scope of work is determined by the responsibilities cast on the auditor by the statute or contract	Scope of work is determined by the management, but it generally includes review and appraisal of accounting financial and administrative control
3	Approach	The main concern of the external auditor is to collect adequate and reliable evidence to support his opinion as to the truth and fairness of the representations made in the financial statements	The main concern is to ensure compliance with (a) the policies, rules and procedures of the enterprise (b) good business practices (c) generally accepted accounting principles (d) legal and governmental regulations and to report any violations to the management

4	Responsibility	Directly responsible to the owners, through in some cases his responsibility also extends to interested third parties Auditing Dr. R. C Bhartia 2005	Responsible to the management. He has no responsibility or freedom to report to outsiders.
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2.11. The different between statutory and internal audit

Statutory audit means that audit which is compulsory by statutes i.e. law.

Internal audit is of course concerned with the verification and investigation of the truth and fairness of the books of accounts

	Statutory audit	Internal audit
1	This audit is conducted by an independent auditor in practice for fees for the professional services	This audit is conducted by employees of the company
2	For statutory audit an auditor must be qualified chartered accountant in practice for companies	No professional qualification is required for an internal audit
3	The scope of an audit is fixed by statute or contract between the parties	The scope of such an audit is determined by the management of the firm
4	An auditor is responsible to the owners or share holder Auditing Dr. R. C. Bhartia 2005	An auditor is responsible to the management

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1. Research Design

The types of research that will be conducted is descriptive research not only descriptive but also qualitative and quantitative research will be conducted because the common data collection and data analysis method appeared constantly are interview and questionnaires, tables and percentiles and also the study will be expressed internes of quantity and quality. The research will describe the situation that exist in the organization that reliable and integrity of information compliance with policies, plans, procedures, laws and regulation and safeguarding the asset.

3.2. Source of Data

The researcher will use both primary and secondary source of data inorder to obtain sufficient and enough information regarding to the study. The source of data that is considered as primary source of data is the information that will be collected by interviewing and assigning the question for the manager and employers of Goba telecom.

Secondary source of data will be required by assessing and referring different documents, books, annual reports and different files that stored by the organization.

3.3. Method of Data Collection Instrument

The researcher will be collect data through structured questionnaires that will contain closed ended questions and open ended question by interviewing the employees and manager of the organization expressing different written documents, books, and referring different file that stored in the organization.

3.4. Sampling Size

Goba telecom has total population of 11, out of these total population 8 of employees are male and the remaining 3 employees are female, since the total population of the organization is small, the researcher will use census sampling method, a census study will be reliable whenever the population of the organization relatively small so, the researcher will take all the population that exist in the organization as a sample size. i.e. ----

3.5. Sampling techniques

The research will choose a sample by using deliberate or purposive sampling techniques it is non-probability sampling in which the researcher select population based on certain criteria.

3.6. Data analysis and Presentation

The data gathered through questionnaires will be presented and analyzed through simple statically tools such as tabular, percentage analytical interpretation for each of reasons that returned by the respondent.

CHAPTER FOUR

4. DATA ANALYSIS AND REPRESENTATION

4.1. Demographic Information of the respondents

This part of the questionnaires describe the demographic information of the respondents based on the questionnaires age, sex, level of education and work experience of Goba telecom employees as follows.

Table 1: Age

Age	Frequency	Percentage
20 – 30	4	36.5%
31 – 40	5	45%
41 – 50	2	18.5%
Above	-	-
Total	11	100%

The age status of the respondent indicates five employees are between 31 to 40 years this take 45% of it from the whole respondents and between 20 to 30 years are four employees this take 36.5% of it lastly two employees are between 41 to 50 years this also take 18.5% of it the whole respondents.

Table 2: Sex

Sex	Frequency	Percentage
Female	3	27%
Male	8	73%
Total	11	100%

The sex status of Goba telecom is more than half of it they are male this take 73% of it from the whole respondents and the left three or 27% of it female in the organization.

Table 3: Level of education

Level of education	Frequency	Percentage
Certificate	-	-
Diploma	3	27%
Degree	8	73%
Above	-	-
Total	11	100%

The level of education Goba telecom employees more than half of it they have first degree this is 73% of it from the whole employees and the left 27% of it they have diploma.

4.2. Reliability and Integrity of Information

In every organization whether governmental or non-governmental reliable and integrity of information would be necessary for valuable and profitable work in the organization. Based on this analysis the result of respondent as follow:

No	Questionnaires	Yes	No	Percentage
1	Does the department performs monthly reconciliation and bank account and organization?	11	-	100%
2	Does the department performance monthly reconciliation of its payroll report?	11	-	100%
3	Does unreconciled financial transactions are researched corrected in a reasonable period of time?	11	-	100%

For the above questionnaires that helps to know the reliability and integrity of information all the respondents response “yes” this indicates there is reliable and integrity of information in the organization.

4.3. Compliance with policies, plans, procedures, laws and regulations

As we know one organization to be an organization interpreted the organization policies, plans procedures, laws and regulation.

Goba telecom organization has own policies, plans, procedures, laws and regulation. The respondent indicates as the following.

No	Questionnaires	Yes	%	No	%
4	Does the number and scope of departments authorized signers are reasonable?	11	100%	-	-
5	Does the spending appears to be within budget for the period tested?	11	100%	-	-
6	The budget unit has created maintained and made available to its department policy and procedure manual?	6	54.5%	5	45.5%
7	Does the organization petty cash funds are necessary have procedures for control and reconciliation?	11	100%	-	-

The researcher understood from the table of respondent except the budget unit (ques. No 6) 100% of the respondents said “yes” but on the budget unit 54.5% the respondents said “yes” the remaining 45.5% respondents said “no” generally almost half of the respondent indicates there is a problem with budget unit in the organization

4.4. Safeguarding of the Asset

The main and the specific point in every organization safeguarding the asset would be necessary the employee has a responsibility and accountability for the asset of the organization.

Goba telecom has different tangible assets in the organization. As the researcher try's to know from the response of the respondent on safeguarding of the asset explain as follow:

<u>o</u>	Questionnaires	Yes	%	No	%
8	Does the organization equipment purchase are requested through purchasing and those for 3,000.00 birr have proper bid procedures?	9	81.5%	2	18.5%
9	Does the organization inventory items listed on property list are easy locate, properly, tagged and in good condition?	11	100%	-	-
10	Does the organization computer used in the employees home are documented and approved?	9	81.5%	2	18.5%

The response of the respondent indicates 81.5% of it have proper bid procedures “yes” in the organization and 18.5% of it said have no proper bid procedures. Based on inventory items all the respondent said (yes) 100% and the response of the respondent related with the computer of the organization 81.5% of it said “yes” the remaining 18.5% of the respondent said “no”.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1. Summary and conclusion

The main objective of this paper is to assess the internal auditing practice in Goba telecom in doing so study try's to analyze data that has been gathered in primary sources in this respect, I was investigate reliability and integrity of information, compliance with policies, plans, procedures, laws and regulation and also safeguarding the asset.

On the basis of the finding the following summary were forwarded.

The demographic characteristics of the respondents reveled out that the majority of the respondents were in the age group of 31 to 40 years moreover in gender ways 73% are male and the remaining 27% are female.

- The organization performs monthly recouncilation and bank account.
- The organization performs monthly recouncilation of the payroll report.
- The organization researched corrected unrecounciled financial transactions are reasonable period of time.
- In the organization the number and scope of department are reasonable.
- In the organization the petty cash funds are properly managed.
- In the organization inventory items listed on property listed and easy locate, properly, tagged and in good condition
- The education ways the majority of the respondents are first degree and diploma holds.

5.2. Recommendation

The basis of conclusion reached, the following recommendation were forwarded in order to improve internal auditing practice of Goba telecom.

- In order to more transparent the budget unit should created maintained department policy and procedure manual.
- The policy of purchasing in Goba telecom was centralized. This type of purchasing policy wouldn't address the immediate need of the user therefore the organization should revise its policy to address such type of problems.
- The organization computer used by employees were not properly documented and approved more over many laptops were taken by the employees and used in their own home therefore the organization should proper a loan voucher and strictly followed returned date.

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Saint Mary University College

Open and Distance Learning College

Questionnaires; on assessment of internal auditing practice in Goba tell com Questionnaires

This study is conducted in the partial fulfillment and the requirement of BA degree in accounting at St. Mary University College. It's main objective is to assess internal auditing practice in Goba tell com.

The purpose of this questionnaire is to obtain your perception and views regarding various aspects of internal audit.

The questionnaire seeks basic factual information and you can tick the option that you choose or write your answer on the space provided I thank you very much in advance for your cooperation.

I. Personal Data

Age _____

Sex: Male Female

Marital Status: Single Married Divorced

Level of education _____

Work experience _____

Position _____

II. Part II Questionnaires

1. Does the department performs a monthly reconciliation and bank account and organizational account?

Yes No

If other specify _____

2. Does the department performs monthly recocilation of its payroll reports? Yes No

If other specify _____

3. Does unreconciled financial transactions are researched corrected in a reasonable period of time? Yes No

If you answer is no mention the reason? _____

4. Does the number and scope of departments authorized signers are reasonable? Yes No

5. Does the spending appears to be within budget for the period tested?
 Yes No

6. The budget unit has created maintained and made available to its department or staff a departmental policy and procedure manual?

 Yes No

Others _____

7. Does the organization petty cash finds are necessary have procedures for control and recouncilation? Yes No

Others _____

8. Does the organization equipment purchase are requisitioned through purchasing and those for 3000.00 birr or more have proper bid procedures? Yes No

Others _____

9. Does the organization inventory items listed on property list are easy locate, properly, tagged and in good condition.

 Yes No

Others _____

10. Does the organization computer used in the employee's home are documented and approved Yes No

Others _____