



**ASSESSMENT OF INTRENAL AUDIT PRACTIC EIN LION
INSURANCE SC**

Submitted By

Amare Bayabil

**A THESIS SUBMITTED TO BUSINESS AND ECONOMICS,
THE DEPARTMENT OF ACCOUNTING AND FINANCE,
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REQUIREMENT OF MASTER OF ACCOUNTING AND FINANCE**

ADVISOR: ABEBAW K (PhD)

June 2023

ADDIS ABABA, ETHIOPIA

DECLARATION

I, Amare, hereby declare that this research work entitled; “Assessment of Internal Audit Practice in lion insurance S C submitted by me for the award of the degree of Master of Accounting and Finance, is my original work and that all sources of materials used for the study have been duly acknowledged.

I also confirm that the thesis prepared, in the case of lion insurance, by taking the audit work quality, scope of the audit work, the level of independence of the internal audit function and adequacy of competent internal audit staff on the same topic earlier has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

Signature

Date

St marry university 2023

APPROVAL

The Thesis prepared by Amare Bayabil entitled “Assessment of Internal Audit Practice in lion insurance s c” has been submitted for examination with my approval as an advisor.

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ACRONYMS AND ABBREVIATIONS

ACCA the Association of Chartered certified Accountants

CEO Chief Executive Officer

CIA Certified Internal Auditor

IAF Internal Audit Functions

CPA certified public accountant

ABSTRACT

Internal auditing is essential to an organization's governance and operations. When implemented, operated, and managed effectively, it is a crucial factor in assisting an organization in achieving its goals. Organizations that utilize internal auditing effectively are better able to identify business risks, process and system inefficiencies, implement the necessary corrective measures, and ultimately support continuous improvement. So it needs effective implementation and administration. Consequently, the purpose of this study was to investigate the internal audit practice at lion insurance. Specifically, how the internal audit functioned in accordance with audit work quality, audit work scope, the level of independence of the internal audit function, how company internal auditors identified the risk problem, how to assess risk, and the quality of the internal audit plan with clarity regarding internal audit personnel. The information was gathered via questionnaire. In order to answer the research questions, questionnaires were distributed to internal audit company employees. The collected data were analyzed by using quantitative method. Lion insurance SC have adequate and competent audit staff however, there is a weakness in providing trainings as a result it lacks professionals. The audit work quality of coverage area planning activity controlling process needs improvements in terms of communication of audit findings with little weakness in the follow-up to correct the findings. Based on finding lion insurance not that much good practices in audit case

Key Words: - Internal audit, practice of internal audit, role of audit

CHAPETER ONE

INTRODUCTION

1.1. Background of the study

Several forces in our times have led to a quiet revolution in internal audit. Among the main forces are complexity risks, frauds, and rapid development of information technology. Companies require effective and efficient internal audit system which supported continuous quality service delivery improvement to their customers and minimize unnecessary expense (Gansberghe, 2005:62). Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

The history of auditing in Ethiopia goes back to the early 1931 with the establishment of Ethiopian's Supreme Audit Institution (SAI). Internal auditing in Ethiopia obtained legal recognition for the first time in 1987 through Proclamation No. 13/1987. This proclamation empowered Office of Auditor General (OAG.) to direct the Internal Auditors of Government Offices and Public Enterprises in three aspects that are accounting records are properly maintained and reliable, the assets of the ministries and enterprises are adequately safeguarded and properly maintained; and policies and procedures laid down by top officials/management are complied with that implies less attention was given to operational audit as a service to management.

On July 1, 1997 the financial Administration Regulations No. 17/1997 was issued in which the responsibility of internal audit function was transferred from the office of the Auditor General to the Ministry of Regulation in many 2007 policy directive was issued to further strengthen the Internal Audit service function in the public bodies.

Internal audit solves day to day problems of insurances companies both at the head office and branches. However, they spend most of their time ensuring that accounting records are properly maintained and reliable; that the assets of the company are adequately safeguarded and properly maintained; and that the company is in compliance with the established policies and procedures. Internal auditing is also handicapped by a critical shortage of appropriately trained and skilled manpower, (Gansberghe, 2005:27)

The purpose, authority and responsibility of the internal audit activity should be defined formally in charter, consistent with the standards and approved by the audit committee. The function should be

independent and internal auditors should be objective in performing their work. In addition, all internal audits should be performed with proficiency and due professional care.

In line with this, the main issue of this study evaluated internal audit service as an important part of the overall internal audit activities in Lion Insurance Company (SC). Hence, we would be conducting this study the researcher may find some weakness and defects that need special attention in order to minimize the risk. Some of the weakness may have a large amount of outstanding claim, increasing operating cost and staff handling. The internal auditors may need reasonable assurance that the accounting system follows national or international standards for the professional practice of internal auditing. So the researcher believes that this research assessed key point of internal audit practices areas.

1.2. Background of the organization

Lion Insurance Company (S.C) established in June 2007 by over 300 shareholders, Lion Insurance Company (S.C.) has a broad public base. Registered at an ever higher initial paid-up capital of Birr 16 million and a subscribed capital of Birr 66.4 million, the Company is one of the highest capitalized companies in the private insurance sector at formation. Currently, the Company's paid-up capital has reached Birr 32.7 million. Lion Insurance Company (S.C.) is licensed to transact all life and non-life insurance products. Presently, it is providing a full range of non-life products to the public.

Lion Insurance Company is a service giving private organization. It is operating under the rules and regulations set by regulatory body, National Bank of Ethiopia. The company also has its internal directives and memos which are consistently being up dated to cope with the ever changing business environments and conditions. This rules, directives and memos are supposed to enable the company provide appropriate service to the society and lead the company to profit. So, the directives are properly put into effect and appropriately applied. (Lion Insurance Company; Annual Report: 2012-2013)

The company engaged to the industry to address various insurance products like re-insurance, underwriting services, motor insurance, property insurance, marine insurance, engineering insurance, bond insurance liability insurance and other so as to enable to achieve the company corporate objectives.

Moreover, Lion Insurance Company (S.C.) provides insurance and risk management advisory service to its customers. Areas covered include safety, security, personal accident and medical coverage as well as areas where the customer may get benefit if indeed the option of self-insurance is preferred.

In support and as part of the efficient service it promises, Lion Insurance Company (S.C.) targets serving the public in close proximity. In consistence with this target, the Company has already established a wide branch network covering a number of regions in the Country. The Company is now providing its services to its customers from nineteen branches and six contact offices in Addis Ababa and various regional towns'. Regarding job opportunity, the Lion Insurance company has employed more than 180 employees.

1.3. Statement of the problem

The main purpose of this study is to identify and solve the gap between actual practice of the company and the general procedure that are stated theoretically. Internal control of the insurance companies must focus and cover on various activities such as accomplishment of established objectives and goals, evaluation and appraisal of system of internal control (Effectiveness of System of Internal Control, Reliability and Integrity of Information, Safeguarding of Assets, Detection of Frauds, Errors, Omissions and Other Irregularities), compliance with laws, rules and regulations, policies and procedures, guidelines and directives, adequacy and effectiveness of risk management system, economical, effective and efficient utilization of resources, insurance underwriting (review mechanism, policies and procedures, reinsurance, accounting and financial reporting), insurance claims, investments, information system (IS) and reporting and documentation. This all function of internal audits has their own procedures that must be focused to achieve organizational objectives and to safeguard the company from any unnecessary fraud (Labuna financial service Authority)

Some of the directives of the company are set to control and manage the operational activities specially the credit policy and operational cost of the concerned units or organs of the company. On the other hand, some failures are being observed in the general operation of the company. (LIC Annual report 2012/13) The outstanding claim balance of the company is increasing. This increment is unproportionate with the increment of the total underwriting premium. Similarly, the general operating cost of the company is also increasing. It seems it is exaggerated when compared with the annual underwriting result of the company. The other one is the number of staff termination within the budget year is around 52% from newly employed. Such problems may arise either due to absence of appropriate directives, rules or due to failure of the application of directives.

The company has auditing section which is assumed to regularly follow and check as to whether the directive and the rule are in their place and being appropriately applied. So far, no report of the auditing section indicates the causes of the problems. These enforced the researcher to suspect whether

the activity of audit section is in their place and discharging their responsibility of auditing efficiently and effectively. (LIC; Annual Report: 2009-2011) Therefore, this paper would have intended to study the internal audit of LIC by using the elements; the risk faced information and communication, the control law and the degree of compliance with the rules and regulations. In general, the researcher believe thatthe research paper answer the basic question that must be answered.

1.4. Research Questions

- How effective is the internal audit in assessing the risk faced by LionInsurance Company?
- How effective internal audit in looking the information andcommunication practice of Lion Insurance Company?
- How effective is the internal audit in assessing the control role of LionInsurance Company?
- How effective is the internal audit in ensuring the degree of compliance with rule and regulation?
- How the scopes of audit work and frequency in internal audit effectiveness of lion insurance?

1.5 Objective of the study

1.5.1 General Objective

The general objective of this study was to assess the internal audit practice in the case of Lion Insurance Company (SC)

1.5.2 Specific Objective

The specific objectives of the study that were answered by the researcher are

- Evaluate the internal audit in assessing the risk faced by the Lion Insurance company.
- Evaluate the internal audit in looking the information and communication practice of Lion Insurance Company.
- Evaluate the internal audit in assessing the control role of Lion Insurance Company.
- Evaluate the internal audit in ensuring the degree of compliance with the rules and regulations.
- Evaluate the internal audit scope of work and frequency activities in lion insurance.

1.6 Significance of the study

Since this study is supposed to identify internal control practice

- ✓ It provides valuable information on Lion Insurance company internal audit practice performance to the Company top management, outsiders and to stakeholders.
- ✓ Identifying major problems in auditing procedures and day to day practices,

- ✓ To show the strength and weakness of the current internal auditing systems, policies procedures rules and regulations
- ✓ Suggest modern approach for risk prevention
- ✓ It would be a reference material for anyone who want to conduct research in the same area or related topics
- ✓ It indicates the company to come up with best quality service and control methods

1.7 Scope of the study

This study would be better if it were conducted widely to overall the insurance companies in the country to come up with more ideas. But due to various constraints the study conducted and analyze on a single Insurance company of lion. This research may not be examining the performance of other products or services offered by the insurance company apart from the assessment of internal audit practice. This study also conducts some customers and staffs that are related with the study in order to represent the total population.

1.8 Organization of the Study

This study organized in five chapters. The first chapter introduce all about the Background of the study, Organization, statement of the problem objective of the study, significance of the study, scope of the study. The second chapter concerned with. The review of the related literature. The third chapter deals with design research methodology, sample technique and size about data source the fourth chapter presents data analysis. Last chapter that is chapter five deals with summary, conclusion and recommendation.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Internal Audit-Historical Perspective

Five thousand years ago, there were people in Mesopotamia communicating basic information on crops and taxes in pictograms. Various recording systems, detailing financial transactions, inventory, sales volumes, etc., have been found in many other cultures such as the Egyptian, Greek, Chinese, Persian and Hebrew civilizations. It might be inferred that, as soon as there are assets and transactions, there is a necessity to keep track of these. In ancient Rome, one official would compare records with another, an application of both separations of duties and verification. The term “audit” possibly hails from this practice, from the Latin “Audire”, to listen (Norton, 1993)

After the fall of Rome, there is a hiatus due to very few written sources surviving to this day. However, it can be safely assumed that records were kept by kings, religious centers, etc. even during those dark ages. The Vikings left stones with messages in their runic alphabet, mentioning the division of assets in families and riches they brought home from their raids. In 1086, a truly remarkable survey of all English lands and assets was commissioned by William the Conqueror, the Domes day Book. The thoroughness of this document, which does not leave a goose or a “the eighth part of a mill” undocumented, is extraordinary, considering the time and the rudimentary technology used. In 1340, the English parliament appointed commissioners to audit the accounts of the collectors of subsidies (Ibid).

The beginning of the twentieth century saw the birth of many large and very large corporations, which fuelled the demand for accounts and control. The Institute of Internal Auditors was established in 1941, and was, and is, the force behind the Professionalization of internal audit and the development of internal audit. It now serves approximately 94,000 members in internal auditing, governance and internal control, IT audit, education, and security worldwide. The world’s leader in certification, education, research, and technological guidance for the internal audit profession, The Institute serves as the profession’s watchdog and resource on significant auditing issues around the globe, as shown by its motto “progress through Sharing” (Gansberghe, 2005)

Why Internal Control Is Important?

Senior executives have long sought ways to better control the enterprises they run. Internal controls are put in place to keep the company on course toward profitability goals and achievement of its mission,

and to minimize surprises along the way. They enable management 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 cards on them. Internal control is looked upon more and more as a solution to a variety of potential problems(Pickett, 2002)

A company's system of internal control has a key role in the management of risks that are significant to the fulfillment of its business objectives. A sound system of internal control contributes to safeguarding the shareholders' investment and the company's assets. Internal control facilitates the effectiveness and efficiency of operations, helps ensure the reliability of internal and external reporting and assists compliance with laws and regulations.

The primary purpose of an internal control system is to enable directors to drive their companies forward with confidence, at an appropriate speed and direction, in both good and bad times. The secondary, but no less important purpose is to safeguard resources and ensure the adequacy of records and systems of accountability. The management process of every company includes an internal control system. If the internal control system is ineffective the management process would also be ineffective.

2.1.2 Definition, Functions and Responsibilities of Internal Audit

2.1.3 Definition

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process (South Carolina state University office of internal audit,1)

The starting place for internal audit theory is the definition of internal audit. A standard definition is made up of important issues that form the basic framework of internal audit principles. The divergence of interpretation of the audit role is explored in terms of the way we may in practice move away from the standard definition. Internal auditing is performed in a variety of ways, each with its own approach and style. Accordingly, it is important that a formal definition is devised and agreed since it had impacted on the perceived role of audit function. According to the Institutes of Internal Auditor's (IIA)

internal auditing is defined as ‘An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (Pickett, 2002)

This definition recognizes two roles for internal audit: to provide an independent assurance service to the board, audit committee and management, focusing on reviewing the effectiveness of the governance, risk management and control processes that management has put into place; and to provide advice to management on governance risks and controls, for example, the controls that will be needed when undertaking new business ventures.

According to Daykin (2006), an internal control system encompasses the policies, processes, tasks, behaviors and other aspects of a company that, taken together:

- ✓ Facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the company’s objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed (Daykin, 2006)
- ✓ Help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organization.
- ✓ Help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.

Internal Audit Functions

The objective of the internal auditing function has always been to improve any process within the organization that would result in improved revenue and reduced risk. Internal auditing projects are assigned internally and prioritized by the level of risk associated with each identified area. Areas of interest are determined by leadership with recommendations from all departmental areas within the company including finance, accounting, operations, and sales and marketing. Risk and audit opportunities are often cyclic and arise within the same department or procedure repeatedly over time, often for varying reasons. Internal auditors must therefore keep track of past audit procedures and results in order to refer to them in future audit opportunities or validation requests (Daykin, 2006).

Objective and Scope

Internal Auditing is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist

members of the organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost. The members of the organization assisted by internal auditing include those in management and the board of directors (Haward, 1992).

The scope of internal auditing should encompass 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 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. (Haward, 1992).
- ✓ Serving on task forces and project teams that analyze and develop systems of operations.
- ✓ Facilitate self-assessments to help departments identify objectives and evaluate business risks and controls as a means of assisting departments with ongoing risk management.
- ✓ Performing consulting services where necessary and appropriate. (South Carolina state University office of internal audit,3)

2.2.2 Types of Audits Performed by Internal Auditors

Internal audits are conducted for different reasons and with varying objectives and with each type of risk exposure an organization would need to conduct a particular type of internal audit. Some audits are required by regulation or policy, while others are requested by management to help improve processes or identify internal control weaknesses (Olga, 2017). The following is a summary of the various types of audits which would generally be conducted in an organization:

2.2.2.1. Operational Audit

Operational audit evaluates performance of a particular function or department to assess its efficiency and effectiveness. Financial data may be used, but the primary sources of evidence are the operational

policies and achievements related to organizational objectives. Internal controls and efficiencies may be evaluated during this type of audit. Some areas of operational audits include: organizational structure, processes and procedures, accuracy of data, management and security of assets, staffing, and productivity (Arens et al., 2005; Olga, 2017).

2.2.2.2 Compliance Audit

Compliance Audit evaluates an area's adherence to established laws, standards, regulations, policies, and procedures. Compliance audits are done because of a policy or statutory requirement. While the audit is done for regulatory reasons, the objectives are still to ensure adequate control over an important internal process (Arens et al., 2005; Olga, 2017)

2.2.2.3 Financial Audit

Financial Audit is a historically oriented, independent evaluation performed for the purpose of attesting to the fairness, accuracy and reliability of financial data. The central objective is to ensure that the financial activity of the department, unit or area is completely and accurately reflected in the appropriate financial reports (Arens et al., 2005; Olga, 2017).

2.2.2.4 Follow up Audit

Follow up Audit is audits conducted approximately six months after an internal or external audit report has been issued. They are designed to evaluate corrective action that has been taken on the audit issues reported in the original report. The purpose of a follow-up audit is to revisit a past audit's recommendations and management's action plans to determine if corrective actions were taken and are working, or if situations have changed to warrant different actions (Arens et al., 2005; Olga, 2017).

2.2.2.4 Investigative Audit

Investigative Audit is an audit that takes place as a result of a report of unusual or suspicious activity on the part of an individual or a department. Fraud and financial irregularity audits are designed to verify the existence and magnitude of suspected fraud and financial irregularities. It is usually focused on specific aspects of the work of a department or individual.

Investigations are conducted to determine the extent of loss, assess weaknesses in controls, and make recommendations for corrective actions conducted at the request of the Audit Committee of the Board of Trustees, the President, or other senior members of organization management as a result of a tip from the organization's hotline; or at the discretion of the Director (Arens et al., 2005; Olga, 2017).

2.2.2.6 Information Technology Audit

Information technology (IT) Audit is evaluates controls related to the institution's automated

information processing systems. The information technology audit function develops audit programs to assess, evaluate and make recommendations to management regarding the adequacy of internal controls and security inherent in organization's information systems, and the effectiveness of the associated risk management. The goal is to ascertain that IT systems are safeguarding assets, maintaining data integrity and efficiently operating to achieve business objectives (Olga, 2017).

2.2.2.7 Management Audit

Management Audit Also called performance audit, are internal consulting projects. Because an internal audit is an activity independent of management, it is often an excellent resource to provide independent and objective insight on the efficiency of business processes. Management can request internal auditors to review a business process, organization, or strategy and the auditors do not have to worry about backlash from management. A common management audit is a review of organizational structure, such as having internal audit look at how administrative work is divided among divisions and if there are opportunities to be more efficient (Olga, 2017).

2.2.2.8 Grant and Contract Audits

Grant and contract audits are designed to evaluate the contracting process, compliance with the provisions of grants and contracts, and third-party contractual performance. These audits may be performed with respect to any function, activity, department, or unit of the organization and may include all types of contracts; e.g., federal and private grants and contracts, construction contracts, and professional service contracts (Arens et al., 2005).

2.3 Verification

The internal auditor's activities related to verification involve two areas: the accountings records and reports, and the underlying assets, equities and operating results. Concern of these matters is implied in the work of the railroads' traveling auditors already mentioned, and on a more extensive scale, in the work of traveling auditors of large retail chain store organizations. Typical internal audit activities in the area of verification of assets would include counts cash funds and not deposited receipts, proof of bank reconciliations, confirmation of account receivable by correspondence with customers, comparison of inventory quantities and comparison of plant asset records with the machinery, equipment and other items actually in use (Pickett, 2002).

The verification activities of internal auditor are a direct concern of the independent auditor because this form of internal control activity adds directly to the credibility of a client's accountings records, thus justifying a reduction in the scope of auditing work performed by the independent auditor.

2.3.1 Evaluation

This is perhaps the broadest of the three objectives and the major developments and changes in the concept of internal auditing in recent years have occurred in relation to this objective. Entry of internal auditor into the area of evaluation followed logically from the verification activities that once occupied the major portion of the time of the typical internal auditor. The successful performance of such evaluation activities and the realization by management of the benefits to be derived led to gradual expansion so that now the evaluation objective commonly includes all or most of the following activities by internal auditors and companies that have taken a progressive and forward-looking approach of internal auditing.

- ✓ Evaluation of internal control from the stand point of how well the accounting system provides for information that is adequate and accurate, protection of resources of the business from losses due to theft, embezzlement, or carelessness Control over all phase of operations
- ✓ Evaluation of clerical and accounting efficiency from the stand point of effectiveness of procedures utilization of space and adequacy of personnel.
- ✓ Evaluation of overall performance of various operating departments from the stand point of plan of organization, policies in effect, being followed Individual performance (Pickett, 2002).

2.3.2 Compliance

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 preformed. The compliance activities of internal auditor are particularly important in companies with extensive branch operations. (Haward,1992).

2.4 Responsibility and Authority

The internal auditing department is an integral part of the organization and functions under the policies established by senior management and the board. The purpose, authority and responsibility of the internal auditing department should be defined in a formal written document (charter). The director of internal auditing should seek approval of the charter by senior management as well as acceptance by the board. The charter should make clear the purposes of the internal auditing department, specify the unrestricted scope of its work, and declare that auditors are to have no authority or responsibility for the activities they audit.

Throughout the world internal auditing is performed in diverse environments and within organizations which vary in purpose, size, and structure. In addition, the laws and customs within various countries differ from one another. These differences may affect the practice of internal auditing in each environment. The implementation of the Standards for the Professional Practice of internal Auditing, therefore, would be governed by the environment in which the internal auditing department carries out its assigned responsibilities. Compliance with the concepts enunciated by the standards for the Professional practice of internal auditing is essential before the responsibilities of internal auditors can be met. As stated in the code of ethics, members of the Institute of Internal Auditors, Inc. and Certified Internal Auditors shall adopt suitable means to comply with the Standards for the Professional practice of Internal Auditing (Simmons, 2003).

At minimum, Internal Audit is charged with the following responsibilities:

- ✓ Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to The Executive (audit) Committee for review and approval, as well as periodic updates.
- ✓ Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by university management and the Executive (audit) Committee.
- ✓ Coordinate and provide support and oversight of all external auditors and regulators. Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the university at a reasonable overall cost.
- ✓ Assist in the investigation of suspected irregularities or fraudulent activities impacting the university and provide necessary reporting to university management and to The Executive (audit) Committee.
- ✓ Provide reports to The Executive (audit) Committee and to university management to communicate the final results of audits and reviews performed.
- ✓ Provide quarterly and annual status reports to The Executive (audit) Committee and to university management summarizing outstanding issues related to audit and review activities.

Internal Audit has a professional responsibility to conduct reviews with an attitude of professional skepticism. Internal Audit recognizes that the application of internal auditing procedures may produce evidence indicating the possibility of errors, irregularities, or fraud. However, Internal Audit cannot be solely responsible for the detection and prevention of all errors, irregularities or fraud which may occur. This is a responsibility shared by all members of university management. (South Carolina state University office of internal audit, 5)

2.4.1 Independence

Internal auditors should be independent of the activities they audit. Internal auditors are independent when they can carry out their work freely and objectively. Independence permits internal auditors to render the impartial and unbiased judgments essential to the proper conduct of audits. It is achieved through organizational status and objectivity (Ibid).

The organizational status of the internal auditing department should be sufficient to permit the accomplishment of its audit responsibilities. The director of the internal auditing department should be responsible to an individual in the organization with sufficient authority to promote independence and to ensure broad audit coverage, adequate consideration of audit reports, and appropriate action on audit recommendations. Objectivity is an independent mental attitude which internal auditors should maintain in performing audits. Internal auditors are not subordinate their judgment on audit matters to that of others.

2.5 The Standards for the Professional Practices

Internal auditing is conducted in diverse legal and cultural environments; within organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. If the Standards are used in conjunction with standards issued by other authoritative bodies, internal audit communications may also cite the use of other standards, as appropriate.

In such a case, if inconsistencies exist between the Standards and other standards, internal auditors and the internal audit activity must conform with the Standards, and may conform with the other standards if they are more restrictive. The professional standard for the Professional Practices of Internal Auditing (the SPPIA) describes the overall systems of control as “the integrated collection of control systems developed by the organization to achieve its objectives and goals”. At the guideline 300.05 the SPPIA states the primary objective of internal controls is to give managers reasonable assurance that:

- Financial and operating information is accurate and reliable
- Policies, procedures, plans, laws and regulations are complied with
- Assets are safeguarded against loss and theft
- Resources are used economically and efficiently
- Established program/operating goals and objectives would be met. (Simmons, 2003).

The elements of internal auditing therefore consist of:

- Appraising the reliability and integrity of financial and operating information by evaluating the means developed by management to identify, classify, measure, and report such information. (Ibid)

- Appraising the systems management has established to ensure compliance with policies, plans, procedures, laws and regulations that could have a significant impact on operations and reports, and determining whether the organization is in compliance. (Ibid)
- Appraising the means management has established to safeguard assets, and, as appropriate, verifying the existence of such assets. (Ibid)
- Appraising the systems managements has established to ensure economical and efficient use of resources. (Ibid)
- Appraising the systems management has established to ensure results are consistent with established objectives/ goals and operations or programs are carried out as planned. (Ibid)
- When we combine the definition of internal control with the scope of internal auditing, five possible audit objectives emerge regarding how managers plan, organize and direct activities. Internal auditors seek to answer one or more of the following questions: (Ibid)
- To controls over financial and operating data provide managers with reasonable assurance that the financial and operating data is accurate and reliable (Ibid)
- To controls over compliance with policies, procedures, plans, laws and regulations provide managers with reasonable assurance that proper compliance actually occurs. (Ibid)
- To controls over assets, provide mangers with reasonable assurance that assets exist and are protected against loss that could result from theft, fire, improper or illegal activities, or exposure to the elements. (Ibid)
- To controls over operations, provide mangers with reasonable assurance that resources are used efficiently and economically? (Ibid)
- To controls over 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 ((Ibid).

The purpose of the Standards is to:

- Delineate basic principles that represent the practice of internal auditing.
- Provide a framework for performing and promoting a broad range of value-added internal auditing.
- Establish the basis for the evaluation of internal audit performance.
- Foster improved organizational processes and operations. (South Carolina state University office of internal audit,24)

2.5.1 Assessment of internal audit department

According to Bigg & Divies (1986) the extent to which reliance is possible would depend up on the organization its qualifications and effectiveness of the internal audit department, from the external point of view, as distinct from management, the ideal situation will exist where;

- A. The internal audit manager is independent of the chief financial executives, is free of any other operating responsibility and report direct to chairman of the board of executive officer.
- B. Those section of internal audit programmed which are relevant to the external audit are comparable to those that would have been used by the external auditor, particularly with regard to the scope and level of test.
- C. Work done is evidenced by well-prepared work papers, as appropriate, dated and initiated, detailing items select for taste and conclusions reached from the test.

The points discussed above would assist in determining the extent to which the external auditor may give cognizance to the work of internal auditor.

2.5.2 Conflict in Internal Auditing

These are various potential conflicts in internal audit relationships. The conflict between internal audit and management may center upon the scope of internal audit. Invariably, management has a more restricted concept of in internal audit, which internal auditors believe not only would restrict them to less rewarding work, but would make them less effectively contributes to their enterprise. The management concept may be that 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 and effectiveness of systems and make constructive recommendations for improvement in these. The management concept may limit internal auditing to the financial and accounting areas and possibly to a fairly low level in these areas of the enterprise at all levels. Management may feel that internal audit should comment on the competence and effectiveness of individual audit tees whereas audit may seek to restrict its reporting to the systems of the practical scope of internal audit whereas in reality internal audit's scope may be more restricted on account of limited internal audit staff resources (Andre, 1987).

2.6 Code of Ethics

Propose of the code of ethics is to promote an ethical culture in the internal audit profession. (IIA, www.theiia.org)

- By acting with 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 and ethical objectives of the organization.

- 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.
- Internal auditors respect the values and ownership of information they receive and do not disclose information without appropriate authority, unless there is a legal or professional obligation to do so. Internal auditors should use information prudently and not for their personal benefit.
- Internal auditors apply the knowledge, skill, and experience needed for their role. They perform their work in accordance with the standards and engage in continuing professional development (Ibid).

2.7 The Audit Charter

The audit charter sets the agreed role and position of internal auditing in an organization. The charter formally documents the raison of the audit function. It is important that all audit departments both develop and maintain a suitable charter. The Institute of Internal Auditors has issued a statement of responsibilities that covers the role of internal auditing and this document may be used to form the basis of such a charter (Pickett, 2002).

2.8 Role of the Audit Charter

The audit charter constitutes a formal document that should be developed by the CAE (Chief Auditor Executive) and agreed by the highest level of the organization. If an audit committee exists then it should be agreed in this forum although the final document should be signed and dated by the chief executive officer. The audit charter establishes audit's position within the organization and would address several issues (Pickett, 2002).

2.8.1 The nature of internal auditing

This should cover the general concept of auditing and the fact that it comprises the impartial assurance regarding systems of internal control by providing that they are subject to formal review. In addition, internal audit may provide an associated consulting service (Ibid).

2.8.2 The audit objectives

The precise definition of internal audit should be set out. This will be in formal words and include references to the objectives of internal audit. There should be a clear link into organizational objectives and the way that the internal audit role contributes to these. The consultancy-based services from

internal audit should be specifically provided for. It may be possible to use the formal definition of internal audit applied by a professional auditing body such as the institute of Internal Auditors or chartered institute of Public Finance and Accountancy (CIPFA).

2.9 The Scope of Audit Work

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 IIA 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
- Compliance with laws, regulations, and contracts (Ejige, 2003; Mulugeta ,2008)

2.9.1 Scope of Internal Auditing

Internal audit is a control that is concerned with the examination and appraisal of other controls. The ultimate purpose of internal audit is protection of the properties or assets of the business, not only from fraud but also from other factors like waste, loss, etc. (accountlearning.com). Internal audit involves five major functions or areas of operation. They are as below:

Reliability and Integrity of Information: The internal auditor should review the reliability and integrity of financial and operating information and examine the effectiveness of the means used to identify, measure, classify, and to report such information (accountlearning.com).

Compliance with Policies and Procedures: The systems and procedure also have considerable impact on the operation of the business enterprise. The internal auditor should gauge the effectiveness and impact of such systems and report thereon (accountlearning.com).

Safeguarding the Assets: The internal auditor should review the existing system for safeguarding the assets and if necessary should verify the existence of such assets (accountlearning.com).

Economical and Efficient Use of Resources: The internal auditor should also appraise the economy and efficiency with which the resources are employed. Further the internal auditor should identify the conditions, which would prevent the economical use of resources. They are as follows: Underutilization of capacity, non-productive work procedures, which are not cost, justified, over staffing or under staffing (accountlearning.com).

Accomplishment of the Established Objectives and Goals: The internal auditor should make a review of the operations or programs of the enterprise and should ascertain whether the results are not inconsistent with the established goals and objectives of the enterprise. He should also ascertain whether the programs are carried out as per plan (accountlearning.com).

2.10 Audit's Responsibilities

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 (see above) the expectation of audit's role should be defined. This would 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. (Ejige; 2003; Mulugeta, 2008)

2.10.1 Audit's Authority

The audit charter would have to refer to the rights of internal audit and the fact that they are confirmed through the charter itself. This includes unimpaired access to all information, explanations, records, buildings and so on those are required to complete audit work. It may be possible to insert a crucial clause that provides that this access be available without undue delay. This is because the time factor can be controversial with some of the more difficult audits (Ibid).

2.10.2 Outline of Independence

No charter would be complete without a clear reference to the concept of independence. This must be perceived as a high profile, prioritized factor that underpins all audit work. While it is necessary in practice to strike a realistic balance, the intention to secure a high level of audit independence will be specifically documented in the charter (Ibid).

2.10.3 Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes. The risk management process consists of the stages of defining and measuring the risks; establishing the risk policies and implementation procedures and their implementation; and the analysis, review, reporting, research, recognition and assessment of risks within the framework of the basis set by the organization senior management and the risk management group together and approved by the board of directors (Regulation of Banks, Negarit gazeta, no.24312)

Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:

- Organizational objectives support and align with the organization's mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organization's risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities (South Carolina state University office of internal audit,32)

The risk management must 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 and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

2.11 The Development of Internal Audit in Ethiopia

The history of auditing in Ethiopia goes back to the early 1931 with the establishment of Ethiopian's Supreme audit Institution (SAI). The audit commission was established through proclamation 64 of 1944. An Internal Auditing function has existed for quite a long time in Ethiopia. The internal Auditing function started in the budgetary public sector as part of internal control. However the latter part of the 1940s witnessed the establishment of internal audit functions in the Ministry of national Defense, Ministry of Education, and Ministry of Finance. It was also at this time that the Internal Auditing Units began to sprout in non-budgetary public sector (Public enterprise) like Ethiopian Highway Authority, Ethiopian Airlines, Ethiopian Telecommunication, and Financial Sector that formed the modern layer of the National Economy (W/Giorgis, 1998)

Internal auditing in Ethiopia obtained legal recognition for the first time in 1987 through Proclamation No. 13/1987. This proclamation empowered Office of Auditor General(O.A.G.) to direct the Internal Auditors of Government Offices and Public Enterprises in three aspects that are whether accounting records are properly maintained and reliable, whether the assets of the ministries and enterprises are adequately safeguarded and properly maintained; and whether policies and procedures laid down by top officials/management are complied with that implies less attention was given to operational audit as a service to management. In 1994 the civil service reform program organized a task team that was formed by Prime Minister to assess and review the performance of Civil Service and come with the

following findings: absence of Internal Audit functions in some of the Ministries and Public enterprises, internal auditors devoted most of their times and efforts on pre-audit, internal auditors neither have the skills needed nor working manuals. (W/Giorgis; 1998)

On July 1, 1997 the financial Administration Regulations No. 17/1997 was issued in which the responsibility of internal audit function was transferred from the office of the Auditor General to the Ministry of Regulation set out the responsibilities of the minister of Finance to develop and maintain appropriate standards of work and conduct for application throughout all the public bodies internal audit function and after this financial regulations almost all public bodies established Internal Audit Services; almost all public bodies discontinued pre- audit or pre-checking. In 1998 the Ministry of finance issued an Operational Audit manual to Strengthen the Audit function in the Public bodies. According to this manual internal audit services are made to report to the top persons of the organizations (Mulugeta, 2008).

In 2007 policy directive was issued to further strengthen the Internal Audit service function in the public bodies, however, the legal basis laid down by bothin the Regulations of Council of Ministers and the Ministry of finance Directive is applicable only to internal auditing under the auspices of Public bodies and does not apply to public enterprises and the private sector, but recently public Enterprises Supervising Authority has issued policy directive for establishment of audit committees in all public enterprise and an audit manual to maintain uniformity of audit work-in all public enterprises(Mulugeta , 2008).

2.12 Review of Empirical Studies

Different researches were conducted on the existing practices of internal auditing in the Ethiopian context. The focus of those papers varies in terms of sectors, industries and institutions. Highlights of some previous research papers on similar subject areas including the research conclusions and recommendations are discussed as part of the assessment of previous empirical evidences and presented as follow:

The review of the literature in general suggested that IAF contributes a key role in effective corporate governance and it is one of the mechanism (or cornerstone) of corporate governance with board of directors (or management), audit committee and external auditors. Sarens (2009) said; IAF quality has a positive impact on the effectiveness of internal audit. Indicators of effective internal audit such as audit work quality, scope of the audit work, independence of internal audit and adequate and qualified staff of the internal audit are discussed explicitly and their implication on internal audit effectiveness, where appropriate are emphasized.

Mihret and Yismaw (2007) shown that the internal audit office of the organization studied has low technical staff proficiency and high staff turnover, which would limit its capacity to provide effective service to the management. Furthermore, most of the employees have a short-term employment contract and need to upgrade their competencies to enable them to provide the expected high quality service.

The study by Mulugeta (2008) indicated that the activities of IAF are more of traditional type that emphasize on verification of accounts, compliance, internal control and a little on fraud investigation. Similarly, Kedir et al., (2014) studied internal auditing standards and its practice the case of east Arsi zone, Ethiopia concluded that the scope of the internal audit function in the enterprises surveyed did not yet go far from the traditional practices and much time is devoted in performing financial and compliance audits. Mihret and Yismaw (2007) highlighted that the scope of internal audit services is limited to regular activities. Extending the scope of services by widening the range of systems and activities audited, with appropriate risk analysis, would improve audit effectiveness.

A study conducted on determinants of internal audit effectiveness in Gurage zone local administration by Ayitenew (2018) using primary data through random sampling concluded that the quality of audit work, auditor's independence, auditor's professional proficiency and organizational setting have significant impact on the effectiveness of internal audit. He argued that the scope of the audit work was insignificant for the effectiveness of the internal audit. Yewubnesh (2018) conducted a research on "Determinants of Internal Audit Quality of Economy Budgetary Public Sectors in Ethiopia" using purposive sampling and questionnaires and interview, she concluded that experience of internal auditors, and Independence of internal audit and training were strong and statistically significant effect on the quality of internal audit in budgetary public sectors in Ethiopia.

A research conducted by Arefayne (2019) on the factors affecting internal audit effectiveness in the case of Ethiopian Insurance companies using both primary and secondary questions, argued independence of IA is the sole factor determining effectiveness of internal audit in Ethiopian insurance companies. The researcher mainly recommended; the country's financial regulatory organ (i.e. National bank of Ethiopia) should work more on the ways of ensuring the organizational independence of internal auditors and should have to develop transparent and well organized approaches. According to his study; competence of IA teams, quality of IA were strong but not significantly effect on the effectiveness of internal audit regarding value adding role, enhance department performance, and enhance organizational performance. Aytenew (2018) on the other

hand argued quality of audit work and auditor's professional proficiency was significant factors affecting effectiveness of internal audit.

Mulugeta (2008) conducted a research on "Internal Audit: Reporting Relationship in Ethiopian Public Enterprises" With objectives of analyzing the reporting line of internal audit and investigate its relationship with internal audit scope, independency, good governance and audit committee. He conducted the survey study on selected Ethiopian public enterprises and recommended possible ways to cope up with the problems identified in the research so as to promote the good image of internal audit profession. The results of the survey showed that the functional reporting lines in practice were not always organized according to the theoretical assumptions, particularly in ETC (i.e. at Zonal and regional level) and Zequala steel rolling Factory; internal audit has been seen as outside the management structure (outsider) and board members are ministers who have several other responsibilities so that they do not have sufficient time to deal with the oversight of the internal audit function; the Ethiopian public enterprises internal audit scope is more limited on the verification of financial transaction (Financial audit), compliance audit, assessments of internal control, and fraud investigation. The researcher finalized his study by recommending corrective actions to address the weaknesses identified. (Mulugeta, 2008)

2.13 The Research Gap

In general, the literature review indicates that internal auditing role is wide. Within the context of improving risk management, control and governance processes, and the type of work undertaken to add value to an organization would vary greatly. Besides internal audit effectiveness is strongly influenced by internal audit quality and management support Mihret and Yismaw (2007) Hence, IA effectiveness does play a role in ensuring effective management in public sector there is needs to enhance the technical proficiency of the internal audit staff and minimize staff turnover so as to foster audit effectiveness. The organizational status and internal organization of the internal audit office are fairly rated, but internal audit's lack of authority on budgets reduces its control of resource acquisition and utilization, improvement in the areas of audit planning, documentation of audit work, audit communications and follow-up of recommendations. In additions, the lack of attention by management may send a wrong signal about the importance of internal audit services to the audited, which in turn adversely affects the audited attributes (Mihret and Yismaw, 2007).

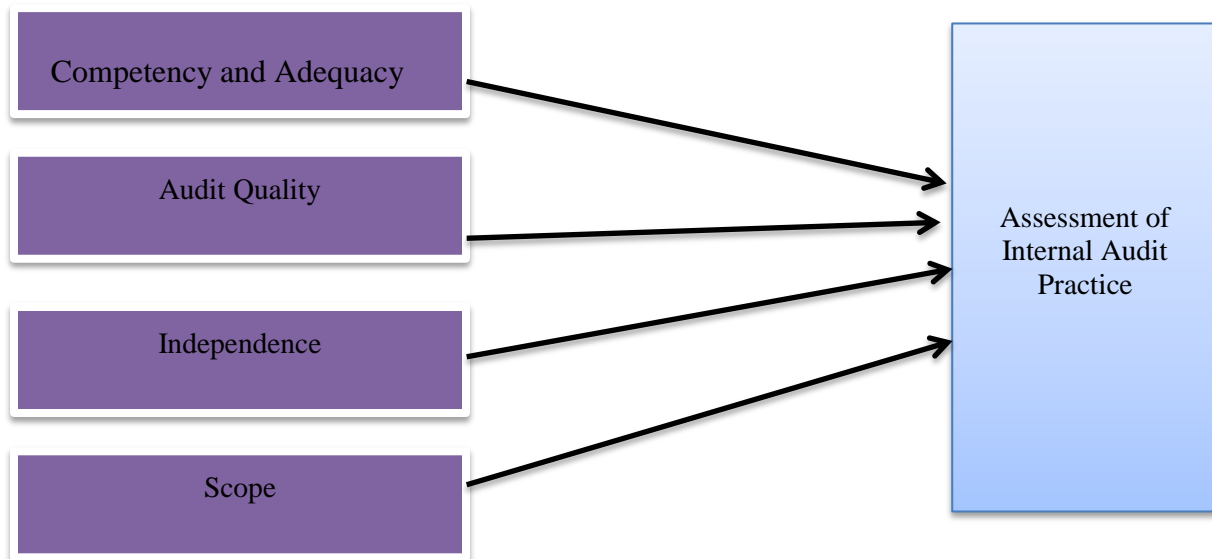
The review of empirical studies reveals that most of the studies are outside Ethiopia. There are few studies on internal audit practices in Ethiopia but they focused on governmental organizations. Accordingly, the researcher attempted to carry out this study for the reason that it is unexplored area in

private insurance in Ethiopia in general and particularly in lion insurance S.C. Therefore, examining the Internal Audit effectiveness helps in promoting effective corporate governance and performance of the organization and could fill the gap to the literature in general in Ethiopian context.

2.13.1. Conceptual Framework

The conceptual framework is a diagrammatic representation of the study variables. In other words, the framework outlines how the variables interact. Figure 1 illustrates the conceptual framework for this study.

Fig 2.1 Conceptual framework of the study



Source- Developed from preliminary literature review

The conceptual framework indicates that there are four different variables which include competency and adequacy of internal auditors, scope of the audit work, internal audit quality, and level of independence of auditors to assess the internal audit effectiveness.

CHAPTER THREE

Research Methodology

According to John (2019), without proper and valid methodology, a trustworthy of the research is trivial. Research is a process that involves the collecting, recording, analyzing and interpreting of information, and it is all about providing answers to questions and developing knowledge. For this study give high attention to the methodology use in order to increase the level of acceptance and validity.

This chapter deals with the methods that used in the research to come up with the objective of the study. This chapter includes the source of data, research design, population and sampling procedure, sample population, sample size, sampling techniques, data processing and analysis, methods of data analysis, ethical consideration.

3.1 Research Design

Research design is described as a plan, structure of investigation conceived so as to obtain answers to research questions (Devos 2002). However, this research is descriptive type of research intends to assessment of internal audit practice in the case of Lion Insurance Share Company.

The research design that is employed in this study is descriptive research. The design allows the way of formulating a problem for more clear investigation in which research that explore and explains an individual, group or a situation, is called descriptive research.

The researcher intended to assess and describe assessment of internal audit practice. The descriptive analysis approach applied to present the study, because it seeks to gain insight into a phenomenon as a means of providing clear images on the internal audit practice.

3.2 Sampling techniques and sample size

The sampling technique that studied probability sampling technique, especially systematic sampling technique. Systematic sampling is a probability sampling method where the elements are choice from a target population by selecting a random starting point and selecting other members after a fixed sampling interval. Sampling interval is calculated by dividing the entire population size by the desired sample size. This sampling interval = N (total population units)/ n (sample size) famous researcher so called Sean Ross (2019) using systematic sampling as a statistical sampling method when conducting research of a survey population. He discussed Systematic Sampling. Systematic sampling is simpler and more straightforward than random sampling. It can also be more conducive to covering a wide study area. On the other hand, systematic sampling introduces certain arbitrary parameters in the data.

This can cause over- or under-representation of particular patterns. Systematic sampling is popular

with researcher because of its simplicity. Researcher generally assume the results are representative of most normal populations, unless a random characteristic disproportionately exists with every "nth" data sample (which is unlikely). To begin, a researcher selects a starting integer on which to base the system. This number needs to be smaller than the population as a whole (e.g., they don't pick every 500th yard to sample for a 100-yard football field). After the number the researcher picks the interval, or spaces between samples in the population. We can take systematic sampling based on these. When the researcher would choose this systematic sampling techniques, because, it provides fair way of selecting a sample from a given population. It gives equal opportunity to select consumes the least time, it is free from favoritism, biased avoided, it is extremely simple and convenient for the researcher to create, conduct, analyze samples; risk involved in this sampling method is extremely minimal. The study used a formula developed by Cochran(1963) cited in Glenn(2012) to determine the sample size assuming 95% confidence level and 5% margin of error.

$$N = \frac{N}{1 + N(e)^2}$$

Where n is sample of the study

N is total population, employed in studied insurance is 113

e = is level of precision (0.05)

$$n = \frac{113}{1 + 113(0.05)^2}$$

$$n = 89.86083$$

$$\approx \underline{\underline{n=90}}$$

3.3 Source of data

The researcher used both primary and secondary source of data:

Primary source:-of data are original materials that is not altered or distorted in any way the elate material of original document and objects which would create at the time. Primary data are original Observation, interview and questionnaire that collected by the researcher.

Secondary data:-Document or recording that relates or discusses information presented. Are document written after an event are happened occurred provided second hand accounts of event.

3.4 Method of Data Collection

As the researcher indicates in the research design, this study used a mixed (qualitative and quantitative) research design. Therefore, the data for the research under the study collected through questionnaire and semi structured interview.

Questionnaire

Using questionnaire in the research has its own advantage when a researcher attempts to compare with other data collection instrument. According to John (2011), the responses are gathered in a standardized way, so questionnaires are more objective, certainly more so than interviews. Generally, it is relatively quick to collect information using a questionnaire. There is also potentially information can be collected from a large portion of a group.

The researcher used questionnaire method of data collection to analyze the data quantitatively. Questionnaire designed based on Matrix rating scale through structured response questions on assessment of internal audit in Lion Insurance S.C under a five-point Rensis Likert scale with descriptions on every rating scale and are balanced in which respondents are led in either of directions. Respondents asked to rate their responses with various aspects along a 5- point Likert-type scale, ranging from 1 = Poor to 5 = Very Strong

Semi Structured interview

Semi structured interview is an open ended, discovery ways of asking questions for the people to exhaustively discuss on the matter that the researcher brought. It is a way of interview in which questions is carefully designed to identify respondent's ideas, opinion, and perception on the topic that the study focuses. It falls between structured interview that is like questionnaire and unstructured interview that is like discussion (Adams et al., 2008).

Furthermore, this study used interview that help the researcher to assess internal audit practice in Lion Insurance SC. So, the researcher used team leaders and coordinators as interviewee to collect data.

3.5 Data Analysis and Interpretation

Every response would assign some score, based on this overall internal audit practice had determined. All the questionnaires from the respondents properly and carefully scrutinized so as to check on the omissions, completeness and inconsistencies upon which coding done. Data which is gathered entered in Statistical Package for the Social Sciences (SPSS) version 25 for window for analysis purpose. This was carried out to ensure that the data from the respondents is accurate, reliable and consistent. The

collected data were analyzed by means of descriptive statistics that included frequencies, percentages, and means, in internal audit practice with respect to different factors.

The qualitative data which is obtained through interview analyzed through transcribing the data in to English language and setting to thematic areas where the researcher consider as important to describe the general essence of the interview. And the analyses of the data carried out separately to triangulate the data obtained from quantitatively.

The qualitative data which is obtained through interview analyzed through transcribing the data in to English language and setting to thematic areas where the researcher consider as important to describe the general essence of the interview. And the analyses of the data carried out separately to triangulate the data obtained from quantitatively.

3.6. Reliability and Validity of the Instrument

3.6.1 Reliability

According to Golafshani (2013) Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. For this study internal consistence reliability is determined by Cronbach’s alpha. When conducting Cronbach’s alpha one must be sure not to mix positively and negatively worded questions if so Alpha, would be negative. It is useful in assessing the consistence of the results across items within a test. It represents number between 0 and 1. According to Zikmundet (2010) scales with coefficient alpha between 0.65 to 0.7 indicate fair reliability and higher are considered adequate to determine reliability.

Table 3.7.1 Reliability of Statistics

Variable	Number of items in the scale	Cronbach’s Alpha Result
Assessing risk factor	6	.864
Information	5	.782
Assessing control input	4	.891
Activity of internal audit	3	.748
scope	3	.684

Source: SPSS (2023)

From the above table 3.1 evidenced that in this study reliability tested, the alpha value for five variables were measured, tested and number of questions in the instrument identified, finally alpha

result was determined the increase confidence that the instrument would yield acceptable results and it proved that scales with coefficient alpha acceptable for further analysis Zikmund (2010).

3.6.2 Validity

Content validity is a measure of instrument and it provides adequate coverage of the investigative questions guiding the study. For descriptive survey, each question given to a panel of subject matter expert analysts, and they rate it. They give their opinion about whether the question is essential useful or irrelevant to measuring the construct under study. So, content validity uses a more formal based approach because experts in the field judge the questions on how well they cover the study issues. Hence, in this study content validity was determined by consulting the advisor and audit professionals. In order to improve the instruments, the research adviser looks at every question in the questionnaire and did their own analysis to ascertain that the questions answered the research objectives of the study (Golafshani 2013).

3.7. Ethical Consideration

Before starting the actual data collection the purpose of the study, the right to participate and refuse told to the study subjects. Verbal consent from the study subjects obtained. Confidentiality of the information has been guaranteed by not writing a name or anything that enable to identify study participants. In addition to that respondent answers keep in a confidential place. The researcher act responsibly according to ethical standards to ensure that the information gathered would not bring to disrepute. All respondents have a right to privacy, to safety, to know the true purpose of the research, to obtain research results and to abstain from answering questions (Aaker et al, 1995).

CHAPTER FOUR

4. RESULTS AND DISCUSSION

4.1 Introduction

The primary concern of this study was to investigate the internal audit practice in lion insurance SC. Specifically, how the internal audit is functioning in related to the audit plan, scope of the audit work, reporting, follow-up and quality review, the level of independence of the internal audit function and adequacy of competent internal audit staff in lion insurance S.C. The aim of this chapter is therefore to present, analyze, interpret and discuss the data obtained in the study

4.2 Demographic Characteristics of the Respondents

Table 4.2.1 Gender Profile

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	52	57.8	57.8	57.8
Female	38	42.2	42.2	100.0
Total	90	100.0	100.0	

Primary Source: Questionnaire results analysis by SPSS (2023)

The researcher sought to ascertain the gender of the participants by requesting them to specify their gender. The research revealed that the majority of the participants, specifically 58.8% (52), were identified as males, while 42.2% (38) of the respondents were identified as females. This finding suggests that the study involved participation from individuals of both genders. The data indicates that the male population in the company constituted a majority of 58.8% among the respondents (52)

Table 4.2.2 Position of respondent in the lion insurance

	Frequency	Percent	Valid Percent	Cumulative Percent
Junior Internal Auditor	24	26.7	26.7	26.7
Officer internal audit	31	34.4	34.4	61.1
senior internal audit	21	23.3	23.3	84.4
Internal audit Team leader	12	13.3	13.3	97.8
Internal audit manager	2	2.2	2.2	100.0
Total	90	100.0	100.0	

Primary Source: Questionnaire results analysis by SPSS (2023).

The researcher solicited participants to disclose their occupational status within the organization. The results indicated that 26.7% (24) of respondents held the title of Junior Internal Auditor, 34.4% (31) were Officer Internal Auditors, 23.3% (21) were Senior Internal Auditors, 13.3% (12) were Internal Audit Team Leaders, and 2.2% (2) were Internal Audit Managers.

Upon analysis, it was discovered that the sample population exhibited a predominant representation of internal audit officers, accounting for 34.4% (31) of the total sample size.

Table 4.2.3 Academic Qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	14	15.6	15.6	15.6
BA Degree	70	77.8	77.8	93.3
MSC/MA	6	6.7	6.7	100.0
Total	90	100.0	100.0	

Primary Source: Questionnaire results analysis by SPSS (2023).

The research inquiry also solicited information from participants regarding their educational attainment. As illustrated in the table above, 15.6% of respondents held a Diploma, 77% held a Bachelor's degree, and 6.7% held a Master's degree. The data indicates that the majority of the sample group, comprising 70 individuals (77.8%), possessed a degree.

Table 4.2.4 Number of years of experience in lion insurance S.C

	Frequency	Percent	Valid Percent	Cumulative Percent
less than one year	6	6.7	6.7	6.7
1-5 Years	52	57.8	57.8	64.4
Valid 6-10 Years	26	28.9	28.9	93.3
11-15Years	6	6.7	6.7	100.0
Total	90	100.0	100.0	

Primary Source: Questionnaire results analysis by SPSS (2023)

Table 4.2.5 Professional certifications

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No related certification	90	100.0	100.0	100.0

Primary Source: Questionnaire results analysis by SPSS (2023).

The researcher asked respondents to indicate their length of service at Lion insurance Share Company. Less than one year was 6.7%, 1-5 years was 57.8%, 6-10 years was 28.9%, 11-15 years was 6.7%, and more than 15 years was 6.7%. Typically, the company had between 1 and 5 years of experience.

When we evaluated professional certifications, the company had no certified professionals based on the data. Where this signifies the researcher may acquire non reliable information in some circumstances and this issue could be considered despite the fact that they have knowledge and ability to operate in internal audit practice.

The demographic characteristics of the participants facilitated the acquisition of trustworthy and consistent data by the researcher. This is primarily due to the fact that a significant proportion of the participants possess higher education qualifications, with a majority holding degrees. Additionally, the respondents' extensive experience enables them to effectively engage with the questions presented in the survey questionnaire.

4.3 Assessing the risk faced

Table 4.3.1 Assessing the risk faced

Items	Alternatives	Frequency	Percent	M/SD
1. The activities of the company internal auditors on identification of problem areas and delays.	Poor	30	33.3	
	Needs improvement	24	26.7	
	Adequate	30	33.3	
	Strong	6	6.7	
	Total	90	100	
2. The assessment of risk in internal auditor	Poor	15	16.7	
	Needs improvement	37	41.1	

	Adequate	36	40.0	
	Strong	2	2.2	
	Total	90	100.0	
3. The rate of quality in Internal audit plan in terms of comprehensiveness.	Poor	30	33.3	
	Needs improvement	36	40.0	
	Adequate	18	20.0	
	Strong	4	4.4	
	Very strong	2	2.2	
	Total	90	100.0	
4. The rate of quality in Internal audit plan in terms of clarity	Poor	12	13.3	
	Needs improvement	40	44.4	
	Adequate	26	28.9	
	Strong	12	13.3	
	Total	90	100.0	
5. The rate of quality in Internal audit plan in terms of coverage of area	Poor	20	22.2	
	Needs improvement	48	53.3	
	Adequate	18	20.0	
	Strong	2	2.2	
	Very strong	2	2.2	
	Total	90	100.0	
6. The rate of quality in Internal audit plan in terms of time line.	Poor	18	20.0	
	Needs improvement	36	40.0	
	Adequate	24	26.7	
	Strong	12	13.3	
	Total	90	100.0	

Primary Source: Questionnaire results analysis by SPSS (2023).

According to Table 4.3.1, the individuals who participated in the study provided the following information. The survey results indicate that the performance of the company's internal auditors in identifying problem areas and addressing delays was perceived as poor by 33.3% of respondents, needing improvement by 26.7%, adequate by 33.3%, and strong by only 6.7%. The majority of respondents agreed that the auditors' activities in this regard were either poor or adequate. This suggests that the company may be lacking in its proactive approach to identifying and addressing problems.

According to Table 4.3.1, the individuals who participated in the study provided the following

responses. The evaluation of risk by the internal auditor yielded unsatisfactory results. According to the respondent researcher, the assessment of risk in internal auditor was found to be 16.7% in the category of needing improvement, 41.1% in the category of being adequate, 40% in the category of being strong, and 2.2% in the category of being very strong. The evaluation of risk in the role of an internal auditor requires enhancement. This implies that the share company needs to work out on the possible gaps that the respondents were dissatisfied with.

Table 4.3.1 displays the responses of the participants regarding the level of quality in the internal audit plan in relation to its comprehensiveness. The findings indicate that 33.3% of the respondents rated the plan as poor, 40% as needing improvement, 20% as adequate, and 4.4% as strong. The majority of the participants agreed that the internal audit plan's quality level in terms of comprehensiveness requires improvement, with 40% of the respondents expressing this sentiment.

According to the data presented in Table 4.3.1, a significant proportion of the respondents (i.e., 22.2%) rated the quality of the internal audit plan as poor, while 53.3% indicated that it needs improvement. Only 20%, 2.2%, and 2.2% of the respondents rated the plan as adequate, strong, and very strong, respectively. The majority of the respondents (i.e., 53.3%) agreed that the plan's quality in terms of coverage of the area needs improvement Table 4.3.1 also showed that the participants evaluated the timeliness of the internal audit plan's quality. The survey results indicate that 20% of respondents provided a poor response, 40% indicated a need for improvement, 26.7% rated the quality as adequate, and 13.3% rated it as strong. The majority of respondents agreed that the highest rating for the timeline of the internal audit plan was 40%, indicating a need for improvement in this area. In general, the risk level needs improvement in all areas.

4.4 Information and communication practices of the internal audit

Table 4.4.1 Information and communication practices of the internal audit

No.	Items	Alternatives	Frequency	Percent	M/SD
1.	The rate of activities of internal auditors on the demonstration of professionalism.	Poor	22	24.4	
		Needs improvement	42	46.7	
		Adequate	22	24.4	
		Strong	2	2.2	
		Very strong	2	2.2	
		Total	90	100.0	
2.	The rate of activities of internal auditors on the	Poor	16	17.8	
		Needs improvement	47	52.2	
		Adequate	25	27.8	
		Strong	2	2.2	

	demonstration of constrictiveness	Total	90	100.0	
3.	The rate of activities of internal auditors on the demonstration of positive approach	Poor	14	15.6	
		Needs improvement	46	51.1	
		Adequate	22	24.4	
		Strong	8	8.9	
		Total	90	100.0	
4.	The objectiveness of internal auditors regarding his/her evaluation of information and communication.	Poor	12	13.3	
		Needs improvement	44	48.9	
		Adequate	24	26.7	
		Strong	6	6.7	
		Very strong	4	4.4	
		Total	90	100.0	
5.	Information gathering activities of internal auditors.	Poor	20	22.2	
		Needs improvement	38	42.2	
		Adequate	24	26.7	
		Strong	6	6.7	
		Very strong	2	2.2	
		Total	90	100.0	

Primary Source: Questionnaire results analysis by SPSS (2023).

Table 4.4.1 displays the responses of the participants regarding the level of professionalism demonstrated by internal auditors. The results indicate that 24.4% of the respondents rated the activities of internal auditors as poor, 46.7% as needing improvement, 24.4% as adequate, 2.2% as strong, and very strong. In accordance with the survey results, a majority of the respondents (46.7%) expressed agreement with the notion that the level of professionalism demonstrated by internal auditors in their activities is the highest. However, it was also noted that Lion Insurance S.C. requires improvement in this regard.

According to Table 4.4.1, the respondents rated the activities of internal auditors in demonstrating constrictiveness. The responses were as follows: poor (17.8%), needs improvement (52.2%), adequate (27.8%), and strong (2.2%). The majority of respondents agreed that the rate of activities of internal auditors in demonstrating constrictiveness was in need of improvement, with 52.2% indicating this. Therefore, Lion Insurance S.C. requires improvement in this area.

Table 4.4.1 presents the responses of the participants regarding the activities of internal auditors in demonstrating a positive approach. The results indicate that 15.6% of the respondents rated the auditors' performance as poor, 51.1% as needing improvement, 24.4% as adequate, and 8.9% as strong. The majority of the participants agreed that the auditors' performance needs improvement, with 51.1% rating it as such. Therefore, it can be concluded that Lion Insurance S.C. requires improvement

in this area.

According to Table 4.4.1, the respondents were asked to evaluate the objectivity of internal auditors in their assessment of information and communication. The results indicate that 13.3% of respondents rated the auditors poorly, 48.9% indicated that improvement was needed, 26.7% rated them as adequate, 6.7% rated them as strong, and 4.4% rated them as very strong. The majority of respondents (48.9%) agreed that improvement was needed in the objectivity of internal auditors in their evaluation of information and communication. Therefore, Lion Insurance S.C. requires improvement in this area.

Table 4.4.1 illustrates the responses of participants regarding the information gathering activities of internal auditors. The results indicate that 22.2% of respondents rated the activities as poor, 42.2% as needing improvement, 26.7% as adequate, 6.7% as strong, and 2.2% as very strong. The majority of participants concurred that the information gathering activities of internal auditors were satisfactory. The maximum percentage recorded for Lion Insurance S.C. is 42.2%, indicating that there is room for improvement.

4.5 Assessing the control role of the internal auditors

Table 4.5.1 assessing the control role of the internal auditors

No.	Items	Alternatives	Frequency	Percent	M/SD
1.	. The evaluation of company's internal auditor controlling process.	Poor	26	28.9	
		Needs improvement	40	44.4	
		Adequate	22	24.4	
		Strong	2	2.2	
		Total	90	100.0	
2.	The internal auditor contribution improvement of company's controlling process.	Poor	28	31.1	
		Needs improvement	36	40.0	
		Adequate	24	26.7	
		Strong	2	2.2	
		Total	90	100.0	
3.	Controlling activities of internal auditor in the company.	Poor	14	15.6	
		Needs improvement	36	40.0	
		Adequate	38	42.2	
		Strong	2	2.2	
		Total	90	100.0	
4.	Controlling activities of internal auditor in the company assessing the	Poor	20	22.2	
		Needs improvement	30	33.3	
		Adequate	34	37.8	
		Strong	4	4.4	

	problem and their resource	Very strong	2	2.2	
		Total	90	100.0	

Primary Source: Questionnaire results analysis by SPSS (2023).

According to Table 4.5.1, the participants provided feedback on the efficacy of the internal auditor control process within the company.

The survey results indicate that a significant proportion of respondents rated the internal auditor controlling process of the company as poor (28.9%), needing improvement (44.4%), adequate (24.4%), and strong (2.2%) respectively. The majority of respondents expressed agreement with the evaluation of the company's internal auditor controlling process. The maximum percentage recorded was 44.4%, indicating that Lion Insurance S.C. requires improvement.

According to Table 4.5.1, the participants acknowledged the positive impact of the internal auditor on enhancing the company's control procedures. The survey results indicate that 31.1% of the respondents provided a poor response, 40% indicated that improvement was needed, 26.7% rated the performance as adequate, and 2.2% rated it as strong. The majority of the respondents concurred that the internal auditor played a significant role in enhancing the company's control processes. Lion Insurance S.C. requires improvement as its highest percentage is only 40%.

According to Table 4.5.1, the individuals surveyed are responsible for overseeing the internal auditor's activities within the organization. The survey results indicate that the response rate for "poor" was 15.6%, "needs improvement" was 40%, "adequate" was 42.2%, and "strong" was 2.2%. The majority of respondents agreed with the notion that the internal auditor's activities in the company should be controlled. The maximum percentage recorded was 42.2%, indicating that Lion Insurance S.C. was sufficiently equipped.

Table 4.5.1 illustrates that the participants are managing the operations of the internal auditor within the organization while evaluating the issue and its corresponding resources. The survey results indicate that 22.2% of respondents provided a poor response, 33.3% indicated a need for improvement, 37.8% deemed the response to be adequate, and 4.4% considered it to be strong. The majority of respondents agreed that the internal auditor's control activities in the company are effective in assessing problems and utilizing resources. The maximum percentage recorded was 37.8%, indicating that Lion Insurance S.C. is deemed satisfactory.

4.6 The activity of the internal auditor on the degree of compliance with rules and regulations

Table 4.6.1 Contribution of internal auditors on the employee's action in compliance with polices.

No.	Items	Alternatives	Frequency	Percent	M/SD
1.	Contribution of internal auditors on the employee's action in compliance with polices.	Poor	24	26.7	
		Needs improvement	48	53.3	
		Adequate	18	20.0	
		Total	90	100.0	
2.	Contribution of internal auditors on control over action that deviate from law and regulation	Poor	24	26.7	
		Needs improvement	32	35.6	
		Adequate	24	26.7	
		Strong	8	8.9	
		Very strong	2	2.2	
		Total	90	100.0	
3.	The activities of internal control measurement assessing the human recruitment process.	Poor	16	17.8	
		Needs improvement	32	35.6	
		Adequate	34	37.8	
		Strong	8	8.9	
		Total	90	100.0	

Primary Source: Questionnaire results analysis by SPSS (2023).

Table 4.6.1 demonstrates the extent to which the participants perceive the impact of internal auditors on employees' adherence to policies. The response rate was unsatisfactory, with only 26.7% of the responses being adequate and requiring further improvement. A majority of the respondents, specifically 53.3%, expressed agreement with the notion that internal auditors make a significant contribution towards ensuring employee compliance with policies. Additionally, a sizeable proportion of 20% of the respondents found this contribution to be adequate. The statistical data reveals that Lion Insurance S.C. has a scope for improvement as it has recorded the highest percentage of 53.3%.

Table 4.6.1 illustrates the contribution of internal auditors in controlling actions that deviate from laws and regulations, as reported by the respondents. The response rate was unsatisfactory, with only 26.7% of the participants providing adequate answers. There is a clear need for improvement in this regard. The data indicates that 35.6% of the sample can be classified as adequate, while 26% can be classified as strong. The observed percentage of the variable in question is 8.9%, indicating a high degree of strength. The majority of respondents, specifically 2.2%, agreed that internal auditors make a significant contribution to controlling actions that deviate from legal and regulatory requirements. Lion Insurance S.C. is in need of improvement, as it has been observed that its highest percentage is 35.6%.

The role of internal auditors in controlling actions that deviate from legal and regulatory requirements in table 4.6.1 displays that the participants evaluated the evaluation of the recruitment process through

internal control measures. The response rate was unsatisfactory at 17.8% and requires further improvement. The percentages obtained were 35.6% for the category of "adequate", 37.8% for "strong", and 8.9% for "very strong". A majority of the respondents, specifically 2.2%, concurred that the evaluation of the human recruitment process is a crucial component of internal control measurement activities. The maximum percentage recorded was 37.8%, indicating that Lion Insurance S.C. is deemed sufficient.

4.7. Scope of Internal Audit work

Table 4.7.1 Scope of Internal Audit work

No.	Items	Alternatives	Frequency	Percent	M/SD
1.	Internal Audit solicits feedback from you and your staff during the entrance conference to ensure your concerns was adequately addressed during the audit.	Poor	12	13.3	
		Needs improvement	40	44.4	
		Adequate	30	33.3	
		Strong	8	8.9	
		Total	90	100.0	
2.	You receive written/verbal notification of the overall audit scope and objectives during the initial phase of the audit	Poor	20	22.2	
		Needs improvement	34	37.8	
		Adequate	32	35.6	
		Strong	2	2.2	
		Very strong	2	2.2	
		Total	90	100.0	
3.	You feel that the scope of the audit (i.e., the processes, activities, period of coverage, etc.) is sufficient and key risk areas were covered.	Poor	24	26.7	
		Needs improvement	38	42.2	
		Adequate	22	24.4	
		Strong	4	4.4	
		Very strong	2	2.2	
		Total	90	100.0	

Primary Source: Questionnaire results analysis by SPSS (2023)

According to Table 4.7.1, the participants responded to the inquiry regarding whether the Internal Audit seeks input from them and their personnel during the entrance conference to guarantee that their concerns are sufficiently addressed throughout the audit. The survey results indicate that the response quality was rated as poor by 13.3% of participants, needs improvement by 44.4%, adequate by 33.3%, and strong by 8.9%. The majority of respondents expressed agreement with this assessment. During the entrance conference, Internal Audit seeks feedback from both you and your staff to ensure that your concerns have been sufficiently addressed throughout the audit process. The maximum

percentage observed in the given data is 44.4%, indicating that there is room for improvement in the performance of Lion Insurance S.C.

According to Table 4.7.1, the participants responded to the inquiry regarding the receipt of written or verbal notification of the comprehensive audit scope and objectives at the outset of the audit. The response rate was found to be inadequate, with only 22.2% of the participants providing satisfactory answers. Further improvement is required in this regard. The results indicate that 37.8% of the sample achieved an adequate level, while 35.6% demonstrated a strong level of performance. A minority of 2.2% exhibited the majority of respondents, specifically 2.2%, expressed agreement with the statement. The auditor provides a notification in written or verbal form regarding the comprehensive scope and objectives of the audit at the outset of the audit's initial phase. The maximum percentage recorded for Lion Insurance S.C. is 37.8%, indicating that there is room for improvement.

According to Table 4.7.1, the participants responded to the inquiry regarding their perception of the adequacy of the audit's scope, which includes the processes, activities, period of coverage, and other relevant risk areas. The responses were categorized as follows: poor, which constituted 26.7%; needs improvement, which accounted for 42.2%; adequate, which represented 24.4%; strong, which comprised 4.4%; and very strong. The majority of respondents, specifically 2.2%, expressed agreement with the statement. The adequacy of the audit's scope, encompassing processes, activities, and period of coverage, among other factors, has been deemed satisfactory, with key risk areas having been duly addressed. Lion Insurance S.C. exhibits a suboptimal performance, as indicated by the highest percentage of 42.2%.

4.8 Interview Result

According to the interview findings, the understanding and function of internal audit lion insurance S.C. is good but needs improvement the majority of workers not enough work experience but they try to analysis all company internal audit activity. Thought in the company in internal audit system no certified internal auditors but as much as they can assessed internal audit finding yet need improvement of activity. The company have rolled and beneficiary by internal audit activity but needs improvement.

When we discussed about audit acceptance and cooperation all workers have it each other it should improve. When we talk about education background and work experience most of workers have first degree holder and majority of workers have less than five year experience.

The relationship between boards of director with internal auditor is good and run by agree their

activities, and discuss problem passed the decision. And also there are accounting finance experts but not certificates.

The company have junior officer, senior, team leader and managers in the department but majority of auditors have officer's positions when we compare to other position.

The lion insurance has audit charter approved by board of directors

The charter helps as to improve finding problems and our decision activity of internal audit decision.

The top management endeavors to evaluate and oversee all operations of the enterprise, however, due to various circumstances, not all tasks are effectively executed, indicating a need for enhancement.

The auditor's presentation was constrained due to the absence of significant findings. Management endeavors to rectify such errors, while the internal audit activity's control measures attempt to intervene in the recruitment process; however, there is room for improvement. The company endeavors to adhere to the laws and regulations governing its operations and avoid any deviation

The human resource department responsible for hire and remove by including audit assessments finding .the internal auditor finding delivered to audit committee freely but workers reflect not all finding because of lack of experience.

As much as possible audit finding takes corrective action by observing necessary internal audit finding

The charter encompasses various aspects related to audit quality, such as the scope of coverage, independence, and reliability.

The Internal Audit's requested resources, including per-diem and accommodation, fuel for field travel, stationeries and printings, are approved by the management's budget hearing committee in a fair manner. The process of assigning the sanctioned budget to individual tasks is contingent upon an assessment of the intricacy and character of the task at hand. The Internal Audit department is responsible for formulating and recording the distribution of resources for each audit assignment. The findings of the interview indicate that there exists an issue pertaining to the approval and implementation of the budget. However, it was observed that the number of auditors within the organization is insufficient and lacks the necessary level of certified experts. The company addressed all internal audit activity without violating law and regulation

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary

The present study discusses the results obtained from the questionnaires administered to evaluate the internal audit practices of Lion Insurance. Specifically, the study focuses on problem identification, risk assessment, internal audit quality, clarity of coverage area, audit plan, quality of audit work, scope of audit work, and internal audit staff.

The majority of personnel within the internal audit department possesses academic qualifications and possesses the necessary skills to proficiently execute their professional duties. Nonetheless, the current internal audit process lacks a requisite training and development program aimed at augmenting the auditors' competencies and expertise in auditing all systems through the formulation of a comprehensive risk identification plan. In the context of the internal audit process, it is common for internal auditors to lack supplementary certifications that could enhance their ability to perform audits with greater efficacy. The majority of employees possess a range of one to five years of work experience. The positions held by the individuals in question pertain to the internal audit officer level. It has been observed that the insurance sector has faced challenges in identifying sustainable risk due to a deficiency in assessing risk, as well as a lack of quality and clarity in their work.

The internal audit process is accompanied by guidelines that are designed to assist internal auditors in executing their duties in a proper manner. The guidelines are deficient in terms of periodic updates and comprehensive instructions that are necessary for the auditors to adhere to, potentially impeding their audit operations.

An evaluation of the execution of operational protocols reveals that a significant proportion of the internal auditors lack sufficient expertise and are unable to offer consultative support to the management. The internal audit report comprises the audit's purpose and scope, findings and conclusions, and recommendations put forth by the internal auditors. Nevertheless, the report lacks the inclusion of comments from the audited pertaining to the findings of the audit.

The research indicates that there is a deficiency in the implementation of management's commitment to prioritizing internal audit recommendations, and there is a lack of agreement between management and auditors regarding the necessary corrective actions in response to the audit findings. The lack of support from management has the potential to diminish the level of effort exerted by internal auditors in their engagements, ultimately compromising the efficacy of internal audit practices.

Several recommendations have been put forth by certain respondents. The measures being undertaken include bolstering management's dedication to internal auditing, creating contemporary auditing software, revising audit procedural manuals, and advocating for online auditing to facilitate timely detection of discrepancies.

5.2. Conclusions

The effectiveness of internal auditing in fulfilling its role as an independent, objective assurance and consulting activity aimed at enhancing organizational operations has become increasingly prominent in recent times. The global financial crisis has prompted inquiries into the efficacy of internal audit, both in its traditional function of overseeing adherence to internal control and financial integrity, and its more contemporary, and somewhat self-proclaimed, function as a crucial component of the risk management ethos within organizations. The efficacy of internal audit is apparent in its ability to aid organizations, particularly those in the insurance industry, in achieving their goals through the implementation of a methodical and rigorous approach to assess and enhance the efficiency of risk management, control, and governance procedures.

Given this context, it is crucial to evaluate the efficacy of internal auditing to enhance the efficiency of audit services, particularly in the insurance industry.

The objective of this investigation was to evaluate the internal audit practices utilized by Lion Insurance through the collection of data from a sample of internal auditors and control department executives.

The findings of the study indicate that the internal audit department lacks a formalized training policy. It is advisable to formulate a comprehensive training policy and provide sufficient training to the internal auditors. According to the survey data, a majority of internal auditors lack additional certifications in internal audit, such as the certified public accountant (CPA), Association of Chartered Certified Accountants (ACCA), and certified intelligence agency (CIA), which could potentially enhance their skills and expertise. The research findings indicate a deficiency in the corrective action plan's effectiveness in addressing the audit findings. The study suggests that the audit report lacks audited recommendations regarding the identified findings.

5.3 Recommendations

Based on the results of the data analysis, the researcher has formulated the following recommendations.

- The production of effective audit reports in organizations, particularly in the internal audit process, requires the implementation of multiple approaches. It is improbable that a solitary approach would comprehensively and economically tackle the efficacy of audit activity in the study region, given the presence of numerous factors that could significantly impact it.
- Enhancing comprehension of the various variables and their interdependencies that influence the efficacy of audit operations can facilitate the formulation of focused approaches for proficient audit practice, thereby promoting sound corporate governance.
- The production of high-quality audit work is a function that can be attributed to effective guidance and extensive staff expertise. It is also important to conduct periodic reviews of internal audit activities by competent audit professionals such as CIAs. The internal audit process should make every effort to revise existing guidelines in a manner that assists auditors by incorporating necessary detailed steps and utilizing the aforementioned factors to conduct effective high-quality audits for the audited.
- It is imperative that the internal audit process incorporates a suitable training program for the professional development of internal auditors. This should include provisions for ongoing education and certification in relevant fields such as CIA, CPA, and ACCA, in order to ensure the production of efficient and effective audits.
- The process of internal auditing ought to take into account the rectification of the audit discoveries. It is imperative to rectify the audit findings and establish corrective action agreements with management to ensure the efficacy of audit operations in the insurance sector.
- It is recommended that insurance company's revise their internal audit report format to incorporate recommendations from audited regarding the discrepancies identified by internal auditors. This approach may increase the likelihood of management taking corrective action.
- In contemporary auditing, in addition to verifying the precision of figures in financial statements and other functions of the operational division, advisory services are crucial in promoting efficient corporate governance. In addition to ensuring regulatory compliance, providing internal auditors with guidance on offering consulting services would be advantageous for Lion Insurance.

5.4. Suggestion for Future Research

The present study aimed to evaluate the internal audit practices implemented by Lion Insurance. The researcher suggests conducting a comparable study in alternative companies, taking into account varying insurance policies, and conducting a comprehensive analysis of other institutions.

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APPENDIX A

ASSESSMENT OF INTERNAL AUDIT PRACTICE IN LION INSURANCE S.C

Dear Sir/Madam

The aim of this questionnaire is to explore information regarding Internal Audit practice of in lion insurance S.C. The information you provide in response to the items in the questionnaire used as part of the data needed for the study. Your involvement is regarded as a great input to the quality of the research result. Your honest and thoughtful response is precious and supportive for the quality of the research result.

Finally the student researcher wants to thanks for your kind cooperation.

Instruction

- There is no need to write your name
- You are cordially requested to choose 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!!!

Part 1 General Information

1. Gender.

Male Female

2. Position of respondent in the lion insurance s.c

Junior Internal Auditor Officer internal audit senior internal audit
Internal audit Team leader Internal audit manager Other (specify) _____

3. Number of years of experience in lion insurance s.c.

<1 year 1-5 years: 6-10 years: 11-15 years: Over 15years

4. Academic Qualification

Diploma BA Degree MSC/MA Other (specify) _____

5. Professional certifications:

CPA ACCA CIA No related certification

Part 2: List of statements pertaining to internal audit in your organization.

Please indicate whether you agree or disagree with each statement by ticking (√) on the spaces that specify your choice from the options that range from “very strongly,” up to poor .then “very Strong,” represented by “5”. Strong represented by “4”, Adequate represented by”3”, Needs improvement represented by “2”, and Poor represented by”1”.

	A. Assessing the risk faced	1	2	3	4	5
1	The activities of the company internal auditors on identification of problem areas and delays.					
2	The assessment of risk in internal auditor.					
3	The rate of quality in Internal audit plan in terms of comprehensiveness.					
4	The rate of quality in Internal audit plan in terms of clarity.					
5	The rate of quality in Internal audit plan in terms of coverage of area.					
6	The rate of quality in Internal audit plan in terms of time line.					
	B. Information and communication practices of the internal audit.					
1	The rate of activities of internal auditors on the demonstration of professionalism.					
2	The rate of activities of internal auditors on the demonstration of constrictiveness.					
3	The rate of activities of internal auditors on the demonstration of positive approach.					
4	The objectiveness of internal auditors regarding his/her evaluation of information and communication.					
5	Information gathering activities of internal auditors.					
	C. Assessing the control role of the internal auditors					
1	The evaluation of company’s internal auditor controlling process.					
2	The internal auditor contribution improvement of company’s controlling process.					
3	Controlling activities of internal auditor in the company.					

		1	2	3	4	5
4	Controlling activities of internal auditor in the company assessing the problem and their resource.					
	D. The activity of the internal auditor on the degree of compliance with rules and regulations					
1	Contribution of internal auditors on the employee's action in compliance with polices.					
2	Contribution of internal auditors on control over action that deviate from law and regulation.					
3	The activities of internal control measurement assessing the human recruitment process.					
	E. Scope of Internal Audit work					
1	Internal Audit solicits feedback from you and your staff during the entrance conference to ensure your concerns was adequately addressed during the audit.					
2	You receive written/verbal notification of the overall audit scope and objectives during the initial phase of the audit.					
3	You feel that the scope of the audit (i.e., the processes, activities, period of coverage, etc.) is sufficient and key risk areas were covered.					

If you have any additional comment regarding the topic, please specify _____

APPENDIX B: INTERVIEW

This interview is designed to gather relevant information for research entitled Assessment of Internal Audit Practice in lion insurance in partial fulfillment of a Master's Degree in Accounting and Finance. I would also like to note that the information you provided would be confidential and used only for a specified purpose. I would like to thank you for your corporation in advance. Interview questions

1. What are your understanding of internal audit practice and internal audit function in your company?
 - Are the role and benefits of internal audit sufficiently understood in your company?
 - How are audit acceptance and cooperation with the internal audit in your company?
 - What do the competencies of internal audit look like in your company in terms of Educational background? Work experience?
2. What is the relationship of internal audit with the board of directors /audit committee?
 - Are there accounting/ finance experts on the board (audit committee)?
 - Is the Internal Audit head in a higher position in your company and Management Promise adds value to internal audit?
3. Does it have a charter (guidelines) approved by the board of directors?
 - What does the charter (guideline) include? How is Audit acceptance and cooperation with Internal Audit in your company?
4. To what extent the top Management supports the Internal Audit Department?
 - Who decides to hire /remove the internal audit in your company?
 - Does the Internal Audit report audit findings to the audit committee freely?
 - Does company Management take corrective action regarding audit findings?
 - Is there follow up whether an action taken on audit finding's reported by the auditors?
5. Does internal audit activity control measurement assessing the human recruitment process?
- 6 Does the company addressed control over action deviating from law and regulation

