



**THE ASSESSMENT OF INTERNAL AUDIT PRACTICE IN THE
HOTEL INDUSTRY IN ADDIS ABABA ETHIOPIA:
THE CASE OF FIVE STAR HOTELS**

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**A Thesis Submitted to St. Mary's University School of Graduate Studies in
Partial Fulfillment of the Requirement for the Degree of Masters of Arts in
Accounting and Finance**

Advisor: Dejene Mamo (PhD, Assistant Professor)

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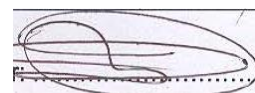
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Advisor..... Signature.....



DECLARATION

I, Mr. Terefe Amare, hereby declare that the Project work entitled “**The Assessment of internal audit practice in the hotel industry: The case of five star hotels**” submitted by me for the partial fulfillment of MBA in Accounting and Finance in the Department of Business and Economics, under the guidance of Dejene Mamo (PhD, Assist Prof),FBE, St. Mary`s University at Addis Ababa, is original work and it has not been presented for the award of any other Degree , Diploma, Fellowship or other similar titles of any other University or Institution.

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CERTIFICATION

This is to certify that Terefe Amare has carried out this research work on the topic entitled **“The Assessment of internal audit practice in the hotel industry: The case of five star hotels”** under my supervision. This work is original in nature and it is sufficient for submission for the partial fulfillment for the award of MBA in Accounting and Finance.

Advisor: Dejene Mamo (PhD, Asst. Prof.)

Signature _____

Date _____

Place: AcFn, FBE, SMU, Addis Ababa

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LIST OF ACRONYMS AND ABBREVIATIONS

BOD	Board of Directors
IAA's	Internal Audit Activities
CAE	Chief Audit Executive
IFRS	International Financial Reporting Standards
CPA	Certified Public Accountant
CIA	Certified Internal Auditor
ACCA	Authorized Chartered Certified Accountant
SPSS	Statistical Package for Social Sciences
IPPF	International Professional Practice Framework
IIA	Institute of Internal Auditors
ASQ	American Society for Quality
IA	Internal Audit
SEC	Securities and Exchange Commission
QAIP	Quality Assurance and Improvements Program

ABSTRACT

The objective of the research is to assess the internal audit practice of the five star hotels focusing on the mandatory guidelines of international professional practice framework. The research deployed descriptive research design. There are 22 internal auditor in the nine five star hotels and the entire population, all the 22 internal auditors, were used for the study. Likrate scale type of questioners close and open end question was used to collect primary data from the entire population. From the distributed questioners 20(91%) of them were collected, coded and analyzed with the help of the commonly used statistical instrument for social sciences called Statistical Package for Social Sciences (SPSS version 23) for descriptive statistics. After the analysis of the data the results in the form of frequency, percentage, mean and standard deviation are presented by using tables. The study shows that there is lack of understanding by the owners, managements and staffs of the hotel for the internal audit activities and the majority of the results revels that the internal audit practice in the five star hotels in respect of the mandatory guidelines of international professional practice framework is weak. Among others most of the hotel have not clearly defined charter, the conformance level of the majority of the attributed and performance standards are poor, most hotels have not board of directors, the interventions of owners are high, the understanding and support of the management and the staff for the internal audit is not convincing. In this regard the study recommends the possible solutions for these weaknesses as; the owners should minimize their interventions and form board of directors, the internal auditors with the management should create awareness about the activities' of the internal audit and work hard to improve the poor quality level of the internal audit practice to adequate level.

Key words: *Five star hotels; Internal Audit; Mandatory guidelines; Institute of internal audit; Internal auditors, International professional practice framework*

LIST OF TABLES

	Page
Table 1. Timeline of selected IIAs Milestone	14
Table 2. Reliability Statistics	29
Table 3. Gender Profile	29
Table 4. Age Profile	30
Table 5. Educational back Ground	30
Table 6. Certification related to profession	31
Table 7. Total Year of Work Experience	31
Table 8. Work Experience in the current hotel	32
Table 9. Qualification	33
Table 10. Current Position	33
Table 11. Statement about audit charter	35
Table 12. Code of Ethics	36
Table 13. Attribute Standard Analysis	37
Table 14. Performance Standards Analysis	40
Table 15. Management cooperation and challenges analysis	43
Table 16. Internal Auditors updating their knowledge	44

LIST OF FIGURES

	Page
Figure 1. Conceptual Frame Work	24

Table of Contents

ACKNOWLEDGEMENT	i
LIST OF ACRONYMS AND ABBREVIATIONS.....	ii
ABSTRACT.....	iii
LIST OF TABLES.....	iv
LIST OF FIGURES	v
CHAPTER ONE	1
1. INTRODUCTION	1
1.1.Back Ground of the study	1
1.2.Statement of the Problem.....	3
1.3.Objective of the Study	4
1.3.1. General Objective	4
1.3.2. Specific objective.....	4
1.4. Research question	5
1.5. Significance.....	5
1.6. Scope and Limitations of the study.....	6
1.7. Organization of the Research.....	6
CHAPTER TWO	7
2. REVIEW OF RELATED LITRATURES	7
2.1. The related theories.....	7
2.1.1.History of Internal Auditing.....	7
2.1.2.Internal Audit Functions	10
2.1.3.Assurance and advisory activities of Internal Audit	13
2.1.4.The Institute of Internal Auditors (IIAs).....	14
2.1.5.Historical Background of Internal Auditing in Ethiopia.....	16
2.1.6.History of Hotel Industry in Ethiopia	18
2.2. Empirical Evidences Review	19
2.3. The Research Gap	23
2.4. Conceptual Framework.....	24
CHAPTER TREE	25
3. RESEARCH DESIGN AND METHODOLOGY	25
3.1. Introduction.....	25

3.2.	Research design	25
3.3.	Research approach and Source of Data	26
3.4.	Population and Sampling	26
3.5.	Method of Data Collection and Instrument	27
3.6.	Data analysis method	27
3.7.	Tools of Interpretation	27
	CHAPTER FOUR.....	28
4.	RESULTS AND DISCISSION.....	28
4.1.	Introduction.....	28
4.2.	Highlights regarding the Collected Data.....	28
4.3.	Reliability Analysis.....	29
4.4.	Discussion of Data from Demographic Questionnaire	29
	4.4.1.Respondents’ Profile Summary	29
	4.4.2.Analysis of Likret Scale questioners.....	34
	4.4.3.Analysis of Open-Ended Questions	45
	CHAPTER FIVE	47
5.	SUMMARY, CONCLUSIONS AND RECOMMENDATION.....	47
5.1.	Introduction.....	47
5.2.	Summary	47
5.3.	Conclusions.....	50
5.4.	Recommendations.....	53
	Reference	55
	Annex-1: Questionnaire	60
	Annex-2 List of 5 and 4 star hotels in Addis Ababa.....	66

CHAPTER ONE

1. INTRODUCTION

1.1. Back Ground of the study

The profession of auditing in general, and internal auditing, in particular, is ancient (Pickett, 2010). Based on documents that have been found, historians have concluded that around 3000 B.C., Mesopotamian people utilized systems of internal controls such as ticks and checks. Auditing has evolved over the pass of the years and today we generally detect of two kinds of business auditors: external and internal (Moeller, 2009).

As far as the internal audit is concerned it is a good idea to start with the Lawrence Sawyer, known as the father of internal audit, to open the discussion about the audit role. Sawyer has said that audit has a long and brilliant history which dates back from Ancient Rome (Pickett, 2005). Ancient officials were performing public and oral verification of records that was called “hearing of accounts”. This event was later described by the term “audit”. It derived from Latin “auditus” which means “a hearing” (Pickett, 2010, p. 8).

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

The Institute of Internal Auditors implemented a new definition of internal auditing in the form that is known today (Na.theiia.org, 2017):

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 processes.

Another definition of internal auditing is presented by Soltani. It states that internal audit is “an appraisal activity established within a company as a service. Its functions include examining, evaluating and monitoring the adequacy and effectiveness of the accounting and internal control systems” (Soltani, 2007, p. 621).

ASQ (American Society for Quality) describes internal auditing as a “first party audit”. It “is performed within an organization to measure its strengths and weaknesses against its own procedures or methods and/or against external standards adopted by (voluntary) or imposed on (mandatory) the organization. A first-party audit is an internal audit conducted by auditors who are employed by the organization being audited but who have no vested interest in the audit results of the area being audited” (Russell, 2013, p.5).

Now a days internal auditing is drastically changed and growing as Reding et al., 2013 explains that Continuous and rapid development of internal auditing over the years has been fueled by globalization, technological development, e-commerce and growing complexity of organizational structures. According to the Institute of Internal Auditors (IIA), internal auditing reviews the reliability and integrity of information, compliance with policies and regulations, the safeguarding of assets, the economic and efficient use of resources, and established operational goals and objectives.

Internal auditing performs not only the financial aspects of an organization but also other department. According to Rupsys (2005), internal audits encompass financial activities and operations including systems, production, engineering, marketing and human resources. In addition, the internal audit service is currently being considered as a good contributor to corporate governance. Recently, in developing countries, there has been increased interest and more emphasis is placed on the IAF (Internal Audit Function) as one tool to crisis prevention and enhancing good governance system of the public sector (Zelege, 2007).

According to Sawyer (2003), internal auditing is a systematic, objective appraisal by internal auditors of the diverse operations and controls within an organization to determine whether (1) financial and operating information is accurate and reliable, (2) risks to the enterprise are identified

and minimized, (3) external regulations and acceptable internal policies and procedures are followed, (4) satisfactory operating criteria are met, (5) resources are used efficiently and economically and (6) the organization's objectives are effectively achieved all for the purpose of consulting with management and for assisting members of the organization in the effective discharge of their governance responsibilities.

Many researchers pinpointed the importance of internal audit for the growth of an organization. (Reding et.al, 2013) cited that Internal audit is designed to help the organization to reach its objectives. Fulfillment of organizational objectives defines the company's achieved success. Business objectives are organizational goals and what the company wants to achieve. If they are coherent and can be measured, they are in fact evaluation criteria of the organization's success. The organization states its objectives in a mission and vision statements. Mission statement conveys what the organization is and what it wants to achieve today. Vision statement communicates aspirations to what it intends to achieve in the future.

In addition to this, (Reding et.al, 2013) describes the main role of internal auditing is to add value to the organization by performing assurance and consulting activities. They need to be operational, tactical, and strategic and improve operations. However, the interpretation of this role is wide. Primary duties of assistance with risk management, control, and governance processes will add a different value to the organization. In reality, it is depending on the specific needs of organizations and the sector they are operating.

1.2. Statement of the Problem

Obviously, hotel revenue is not only obtained from a single source rather generates revenue through several activities such as :room division, food & beverages, function rooms, spa & fitness facilities, golf courses, casino and gambling facilities, and other additional services (Stanislav & Vladimir 2012).

Thus, there is also a need of management tool that can control and monitor income regularly from each hotels revenue sources due to the fact internal controls enable the hotels to maintain the quality of service, to get loyalty of customers and may enable the business to engage in more

profitable activities that would be too risky for a competitor without those internal controls to generate more revenue as confirmed by (Kloot, L., 1999 and Chambers, A. 2010).

Since no company can expect to ensure its continuity without sufficient investment in its internal controls, hotels expected to have a better internal control system than their competitors and also have to competitive to generate greater revenue (Chambers, A. 2010). In addition, Hotel business is characterized by uneven sales pattern; normally weekend sales will be higher than those on weekdays. In respect to cost, cost of input items like groceries and vegetables varies considerably on frequent basis. We cannot predict the Hotel business because of non-predictability of daily business resulting in food wastages. The transaction of cash in the hotel industry is huge. These necessitate the management of the hotels to strengthening the internal control of hotels and this control could be done by professional internal auditors.

There are studies regarding internal auditing by different scholars in Ethiopia. Some of them are on internal auditing practice and the others are on the effectiveness of internal audit in different industries in Ethiopian. But none of them, as far as the knowledge of the researcher is concerned, have not examined the practices of internal audit in the hotel industries. Therefore, the researcher tries to investigate this vast, fertile and untouched area and tries to undertake the research.

1.3. Objective of the Study

1.3.1 General Objective

The study assesse the internal auditing practice of the hotel industry in five star hotels in Addis Ababa.

1.3.2 Specific objective

The specific objective of the research is to find out the following:

- To investigate the level of awareness of internal audit in the hotel industry in Addis Ababa.
- To evaluate the status of internal audit practice in the hotel industry.

- To evaluate the hotel industry internal auditing practice with respect to the mandatory guidance of international professional Practices Framework.
- To assess the cooperation of the management for the successes of the internal audit practice.
- To identify the specific problems (challenges) of the internal auditing practice in the hotel industry.
- To investigate the internal auditors willingness to upgrading themselves to current knowledge, technology, government rules and proclamations.

1.4. Research question

The study attempted to answer the following key research questions:

1. How is the status of internal audit practice in the hotel industry?
2. Are the internal auditors in the hotel industry applying the mandatory guidance of international professional Practices Framework?
3. What are the challenges of internal audit practice in the hotel industry?
4. How is the management cooperation for the practice of the internal audit in the company?
5. Are the internal auditors updating their knowledge every time with technology, government rules and proclamations?

1.5. Significance

The study has significance for different stockholders in the industry and others. The research serve us an input, for the management of the hotels under investigation or those that are not included in the study, by assessing their internal audit practice and identify the weakness and proposes the recommendation based on the findings. The research also benefits the internal auditors in the industry by pinpointing the gapes on their internal auditing practice based on the mandatory guidelines of IPPF.

As per the knowledge of the researcher there are no other researches on the internal audit practice of the hotel industry in Ethiopia in general. Therefore, the researcher strongly believes that this research could be used as a springboard for other researchers to use it as a bench mark for their future studies in this area.

1.6. Scope and Limitations of the study

The study focuses on assessment of internal audit practice in the hotel industry based on the mandatory guidelines of IPPF and because of the constraint of resources the research focused on five star hotel internal hotels in Addis Ababa.

1.7. Organization of the Research

The research organized in to five Chapters. Chapter one is the introduction chapter which incorporates seven sub sections including this sub section, namely back ground of the study, statement of the problem, objectives of the study, research questions, significance of the study and scope and limitations of the study.

Chapter two is about related literatures. In this chapter related researches are reviewed and used as a base for this research. The Research design, Research type and source of data, population and sample size, method of data distribution and collection, data analysis method and Tools of data presentation and interpretation will be discussed in Chapter three.

Chapter four is about the result or findings of the study and present the results based on the analysis founded and Chapter five provides the conclusion and recommendation based on the findings of the research.

CHAPTER TWO

2. REVIEW OF RELATED LITRATURES

2.1. The related theories

2.1.1. History of Internal Auditing

As far back as 4000 B.C., historians believe, formal record-keeping systems were first instituted by organized businesses and governments in the Near East to allay their concerns about correctly accounting for receipts and disbursements and collecting taxes. Similar developments occurred with respect to the Zhao dynasty in China (1122-256 B.C.). The need for and indications of audits can be traced back to public finance systems in Babylonia, Greece, the Roman Empire, the City States of Italy, etc., all of which developed a detailed system of checks and counterchecks. Specifically, these governments were worried about incompetent officials prone to making bookkeeping errors and inaccuracies as well as corrupt officials who were motivated to perpetrate fraud whenever the opportunity arose. Even the Bible (referring to the period between 1800 B.C. and A.D. 95) explains the basic rationale for instituting controls rather straightforwardly: "...if employees have an opportunity to steal they may take advantage of it."

Historically then, the emergence of double-entry bookkeeping in circa 1494 A.D. can be directly traced to the critical need for exercising stewardship and control. Throughout European history, for instance, fraud cases such as the South Sea bubble of the 18th century, and the tulip scandal provided the justification for exercising more control over managers (Sridhar, 2003).

The Bible also contains examples of internal controls such as the dangers of dual custody of assets, the need for competent and honest employees, restricted access, and segregation of duties (O'Reilly et al., 1998).

According to Moeller (2009), based on documents that have been found, historians have concluded that around 3000 B.C., Mesopotamian people utilized systems of internal controls such as ticks and checks. Auditing has evolved over the pass of the years and today we generally detect of two kinds of business auditors: external and internal.

There are arguments on the history of internal audit by different scholar but we can simply conclude and agree with Pickett that the “profession of auditing in general, and internal auditing, in particular, is ancient” (Pickett, 2010, p.8).

As business activities grew in size, scope, and complexity, a critical need for a separate internal assurance function that would verify the (accounting) information used for decision-making by management emerged. Management needed some means of evaluating not only the efficiency of work performed for the business but also the honesty of its employees. Around the turn of the 20th century, the establishment of a formal internal audit function to which these responsibilities could be delegated was seen as the logical answer. In due course, the internal audit function became responsible for “careful collection and interpretive reporting of selected business facts” to enable management to keep track of significant business developments, activities, and results from diverse and voluminous transactions (Mautz, 1964). Companies in the railroad, defense, and retail industries had long recognized the value of internal audit services, going far beyond financial statement auditing and devoted to furnishing reliable operating reports containing nonfinancial data such as “quantities of parts in short supply, adherence to schedules, and quality of the product” (Whittington & Pany, 1998).

In sum, the collective effect of growing transaction complexity and volume, the owner/ manager’s (“principals”) remoteness from the source of transactions and potential bias of reporting parties (“agents”), technical (accounting) expertise required to review and summarize business activities in a meaningful way, need for organizational status to ensure independence and objectivity, as well as the procedural discipline necessary for being the “eyes and ears” of management all contributed to the creation of an internal audit department within business organizations. Starting as an internal business function primarily focused on protection against payroll fraud, loss of cash, and other assets, internal audit’s scope was quickly extended to the verification of almost all financial transactions, and still later, gradually moved from an “audit for management” emphasis to an “audit of management” approach (Reeve, 1986).

Even though the history of internal auditing traces back to 4000B.C, the birth of modern internal auditing is emerged after the establishment of the Institute of Internal Auditors (IIA) in 1941. It was established in the United States with 24 members (Reding et al., 2013).

Currently internal auditing is transformed from a system of checks and counterchecks in the Babylonia to the management consultancy, risk management and corporate governance.

The need for effective control processes created the concept of internal auditing. Despite its ancient roots, however, internal auditing was not recognized as an important process by many enterprises and their external auditors until the 1930s. This recognition was primarily due to the establishment of the U.S. Securities and Exchange Commission (SEC) in 1934 and changing external audit objectives and techniques at that time. The United States as well as the rest of the world had just gone through a major economic depression. As a legislative corrective action, the SEC required that all enterprises registered with it must provide financial statements certified by independent auditors. This requirement also prompted corporations to establish internal auditing departments, but with the objective primarily to assist their independent auditors. At that time, external financial auditors were focused on expressing an opinion on the fairness of an enterprise's financial statements rather than on detecting internal control weaknesses or even clerical errors. The SEC rules precipitated auditing based on a limited sample of transactions, along with greater reliance on internal control procedures. At that time, internal auditors were primarily concerned with checking accounting records and detecting financial errors and irregularities and often were little more than shadows or assistants to their independent external auditors. Walter B. Meigs, writing about the status of internal auditors during the 1930s, observed that "internal auditors were either clerks assigned to the routine task of a perpetual search for clerical errors in accounting documents, or they were traveling representatives of corporations having branches in widely scattered locations." Those early internal auditors were often little more than clerical helpers who carried out routine accounting reconciliations or served as clerical support personnel. Vestiges of this old definition of internal auditing continued in some places even into the early 1970s (Robert R. Moeller, 2016, p6).

According to Pickett (2005, p.8), Internal auditors are able to assist top management with monitoring activities that top management cannot monitor itself, identifying opportunities and

minimizing risks of failure, validating reports to senior management, protecting senior management in technical analysis that is beyond their knowledge, providing information for the decision-making process, reviewing for the future as well as for the past and helping line managers manage by pointing to violation of procedures and management principles.

Internal audit is designed to help the organization to reach its objectives. Fulfillment of organizational objectives defines the company's achieved success. Business objectives are organizational goals and what the company wants to achieve. If they are coherent and can be measured, they are in fact evaluation criteria of the organization's success. The organization states its objectives in a mission and vision statements. Mission statement conveys what the organization is and what it wants to achieve today. Vision statement communicates aspirations to what it intends to achieve in the future (Reding et.al, 2013).

The main role of internal auditing is to add value to the organization by performing assurance and consulting activities. They need to be operational, tactical, and strategic and improve operations. However, the interpretation of this role is wide. Primary duties of assistance with risk management, control, and governance processes will add a different value to the organization. In reality, it is depending on the specific needs of organizations and the sector they are operating (Reding et.al, 2013).

2.1.2. Internal Audit Functions

Many scholars agreed that corporate governance, risk management service and internal control service are the major functions of internal audit. Urton L. Anderson and his colleague on their book mentioned that "The internal audit function's responsibility stops well short of actually guiding or leading governance, risk management, and control"(Urton L. Anderson et al., 2017, p5).

According to Badara and Siti (2012), internal audit function as a function of an organization established with the aim of reviewing the effectiveness and efficiency of the activities of the organization, ensuring compliance with established regulations, evaluation of risk management and internal controls system of an organization.

The International Auditing and Assurance Standards Board (IAASB) (2013) defines an internal audit function as a function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity's governance, risk management and internal control processes.

Internal audit “as an independent and objective functional activity which provides security and management advice with the aim of ensuring effective management of public income and expenditure, ensuring proper activities within public organization, helps the public organization to achieve their objective through systematic and methodical approaches, evaluate and improves the efficiency and effectiveness of internal control system, risk management and management processes” (Jurchescu, 2010, p2).

2.1.2.1. Corporate Governance

According to theorists who have specialization in agency theory, corporate governance is a systemic provision of some measure of control over the actions of agents such as managers. Indeed, agency theorists played a crucial role in developing the policy framework that supported the public sector reforms, especially the corporatization and privatization programs (Boston et al., 1996; L’Huillier, 2014). The most widely used definition of corporate governance is “the system by which companies are directed and controlled” (Cadbury Report, 1992; OECD, 1999).

The most widely known definition of internal auditing and the standards has drawn up and implemented by the IIA and it gives the internal auditor the obligation to contribute in a variety of ways to the evaluation of the corporate governance process (Cattrysse, 2005).

Kagermann and his coworkers put how internal audit helps compliance within the corporate governance framework as follows; internal audit helps compliance within the corporate governance framework in two ways. Firstly, internal audit is an integral component of the business monitoring system. Secondly, its fieldwork results help a company to keep up with compliance requirements. Internal audit is involved in the overall corporate governance practice in a variety of ways (Kagermann et al., 2008).

2.1.2.2. Risk Management function

The other function of internal audit is reducing a company's exposure to risk by predicting the future possibility of risk in the organization.

Ernst & Young (2006) explain this in this way; Internal auditors are expected to think strategically, while at the same time, they are tactical and detail oriented, providing generated insights into the business processes of the company, internal control and coverage of all risks. As already noted, the IA department in an organization has a large number of users of its services, which are of the consulting nature and which also have to provide a particular form of insurance against risk. IA department represents the agent of the audit committee of a company, while at the same time it is a partner to management. On the one hand, the priority of the audit committee is to reduce a company's exposure to risk, while management objectives include greater exposure to risk since the risk in its slightest degree is a key driver in the creation of added value for a company over time (Ernst & Young, 2006, p. 11).

2.1.2.3. Internal Control

The role of internal auditing in the review of effectiveness of the system of internal control is to ascertain whether the system is functioning as intended. Effective control is present when the administrative management directs the system in such a way as to provide reasonable assurance that the organization's objectives and goals will be achieved. The purpose of the review for quality of performance is to ascertain whether the organization's objectives and goals have been achieved.

The primary objectives of an organization's system of internal control are to provide administrative management with reasonable assurance that financial information is accurate and reliable; the organization complies with policies, plans, procedures, laws, regulations and contracts; assets are safeguarded against loss and theft; resources are used economically and efficiently; and established objectives and goals for operations or programs can be met. Internal auditing focuses on an evaluation of this system or framework of internal control (Faudziah et. al., 2005).

2.1.3. Assurance and advisory activities of Internal Audit

2.1.3.1. Assurance activity

According to Hailemariam (2014), by providing the independent opinion and conclusions regarding the operation, function, system and wellbeing of the organization the IA can provide assurance services; and by giving the advisory service based on the specified requests of an engagement client the internal auditor can give the consulting service to the organization.

The chartered institutes of internal auditors witnessed that how they do the assurance service as follow; The assurance part of our work involves telling managers and governors how well the systems and processes designed to keep the organization on track are working(Chartered institute of internal auditors, 2012).

2.1.3.2. Advisory activity

As part of an organization the internal audit activities are not simply finding the mistakes and reporting to the board. It encompasses providing advisory services to the organization management to help the organization attain its objective.

The Institute of Internal Audit in its definition note about the consulting aspect of internal auditing that; Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. The internal audit activity 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 (Na.theiia.org, 2017).

As per Sawyer and Vinten (1996) managers have gained four benefits from internal auditing assistance. These benefits were providing managers with the bases for judgment and action, helping managers by reporting weaknesses in control and performance and in recommending improvements, providing counsel to managers and boards of directors on the solutions of business problems, and supplying information that is timely, reliable and useful to all levels of management.

As stated by IIA “The objective of internal auditing is to assist all members of management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. The internal auditor is concerned with any phase of business activity where he can be of service to management. This involves going beyond accounting and financial records to obtain a full understanding of the operations under review” (IIA, 2000, p. 3).

2.1.4. The Institute of Internal Auditors (IIAs)

The global voice of the internal audit profession’s IIA was established in 1941 in USA. It is an international professional association and its head quarter is in Altamonte Springs, Florida. The below table helps to easily understand the major journey of IIA starting from its establishment till the current period.

Table-1 Timeline of selected IIAs Milestone

Years	Phenomenon
1941	The Institute of Internal Auditors is established. IIA membership totals 24.
1947	The <i>Statement of Responsibilities of the Internal Auditor</i> is issued.
1948	The first chapters outside North America are formed in London and Manila.
1953	"Progress Through Sharing" is adopted as The IIA's official motto.
1957	The <i>Statement of Responsibilities of the Internal Auditor</i> is revised to include more responsibility for operational areas.
1968	The IIA Code of Ethics is approved.
1973	The first Board of Regents is appointed. The Certified Internal Auditor (CIA®) program is established.
1976	The Foundation of Auditability, Research, and Education (FARE) is founded; the name is later changed to The IIA Research Foundation.
1978	The <i>Standards for the Professional Practice of Internal auditing</i> is approved.
1979	The National Institute Agreement is approved; five national institutes are established.
1980	IIA membership totals 21,549

1984	The <i>Quality Assurance Review Manual</i> is published. A pilot school is established at Louisiana State University. The first <i>Statement on Internal Auditing Standards</i> (SIAS) is published.
1986	The target school program is started.
1989	An IIA National Institute is established in The People's Republic of China.
1988	The United Nations grants consultative status to The IIA.
1990	The IIA elects A.J. Hans Spoel as the first chairman from outside North America.
1995	The IIA becomes an official member body of the American National Standards Institute (ANSI) and the sole United States representative to the International Standards Organization (ISO).
1996	<i>Accounting Today</i> names IIA President William G. Bishop III, CIA, as one of the "top 100 most influential people in accounting." The IIA begins to aggressively promote the CIA program in Europe, Asia, the Middle East, and South America.
1998	The first all-objective CIA exam is offered with a record-breaking 5,165 candidates sitting for one or more parts.
1999	The new definition of internal auditing is introduced. The 25th anniversary of the CIA designation is celebrated
2000	The new <i>Standards</i> is introduced. IIA membership totals 68,985.
2002	The <i>Standards</i> becomes mandatory guidance for all IIA members and CIAs.
2003	The new IIA Professional Practices Framework is issued.
2006	IIA membership exceeds 120,000.
2007	To continue to use the statement "conducted in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ," internal audit functions that existed as of January 1, 2002, must have an external quality assessment completed by January 1, 2007.
2008	Computer-based testing is introduced for all professional examinations administered by The IIA.
2009	The International Professional Practices Framework is issued, which specified mandatory guidance (Definition of Internal Auditing, Code of Ethics, and the <i>International</i>

	<i>Standards for the Professional Practice of Internal Auditing</i>) and strongly recommended guidance (Practice Advisories, Position Papers, and Practice Guides).
2010	The IIA develops a social media presence on Twitter, Facebook, and Linked In. Additionally, The IIA's Audit Executive Center, a conveniently accessible suite of information, resources, and services that empowers CAEs to be more successful, is launched.
2011	The IIA launches its own social media channel, a new video-sharing website www.auditchannel.tv. The Audit Channel enables internal audit professionals to view, post, and comment on short videos that address the topics of greatest interest to the profession. Currently, the site features videos in English, Spanish, French, Japanese, and Chinese.
2012	The IIA expands the number of languages in which internal auditors can take the CIA exam to 20.
2013	The Florida Magazine Association names <i>Internal Auditor</i> magazine "2013 Magazine of the Year."
2015	The IIA launches the Financial Services Audit Center. <i>Internal Auditor</i> magazine wins awards for general excellence and web publishing at the 35th Annual EXCEL Awards Gala in Washington, D.C.
2016	The IIA launches the Environmental, Health & Safety Audit Center. The IIA celebrates 75 years of advancing the internal audit profession.
2017	Revised IA definition issued.

(Source: Internal Auditing Assurance and Advisory Services fourth edition by (Urton L. Anderson et al. 2017 page 10 and 11))

In 2009 IIA issues the international professional practice framework which incorporates the definition of internal auditing, the code of ethics and international standards for internal audit practice (Urton L. et. Al., 2017).

2.1.5. Historical Background of Internal Auditing in Ethiopia

The history of internal auditing in Ethiopia dated back to the 1940s just about the time the profession was also evolving in Europe and in the United States (Lemma, 2000). (Argaw,2000b) agree with Lemma that, Internal auditing has been practiced in the Ethiopian public sector in

various forms since the early twentieth century although it was more clearly defined in the 1940s and took its contemporary form in the late 1980s. After the proclamation of Powers and Duties of the Auditor General in 1987 by the Government of Ethiopia, Internal auditing became a separate necessary activity in all Ethiopian Government organizations.

In the 1990s, the emphasis on internal audit increased in Ethiopia partly due to government interactions with international financing institutions namely, the World Bank and International Monetary Fund that led to economic policy reforms. These interactions necessitated strengthening organizational control mechanisms of Ethiopian Government organizations (Mihret, 2012).

In 1996 the IIA-Ethiopia was established by individuals who were engaged in accounting/audit practice and academics as a chapter of the global-IIA (Argaw, 2000a, p. 5). The Ethiopian government plays its share by providing increasing support to the development of internal audit since 1994. It has provided the support not only by strengthening internal audit in ministry offices and SOEs (Mihret, James & Mula 2009; Teklegiorgis 2000) but also by supporting IIA-Ethiopia since its establishment as a chapter in 1996 (Argaw 2000b; IIA-Ethiopia 2009; Mihret, James & Mula 2009).

The institute promotes the profession by organizing conferences, conducting public lectures and radio talks, and providing members with access to the institute's newsletter and other internal audit publications. It also facilitates members' attendances at international conferences of the global-IIA. IIA-Ethiopia is one of the few active African institutes (another is the South-African institute) which regularly participate in global-IIA conferences (Mihret, 2012).

The adoption and development of internal audit in state-owned enterprises is largely attributable to government requirements through the Office of the Auditor General from 1987 to 1991 (Government of Ethiopia, 1987) and via Privatization and Public Enterprises Supervising Agency since 1992. A directive issued by the agency (Privatization and Public Enterprises Supervisory Agency, 2005b) requires that all state-owned enterprises establish internal audit departments. Interviews show that most state-owned enterprises have adopted an internal audit charter suggested in the Privatization and Public Enterprise Supervising Agency's (2005a) directive, which specifies the purpose, authority, and responsibility of internal audit; whereas, others adapted it.

The organizational field of government ministries comprises organizations that operate under a budget of the Government of Ethiopia. Organizations in this field share a uniform internal audit manual that the Ministry of Finance and Economic Development issued in 2004. This manual specifies the scope, authority, and responsibility of internal audit and provides guidance on the conduct as well as documentation of internal audit work (Ministry of Finance and Economic Development, 2004).

The internal auditing practice in private companies in Ethiopia is not that much satisfactory. According to Mihret (2010), most Ethiopian private companies are small businesses and/or family-owned firms that do not adopt internal auditing. He extends his clarification that, private banking and insurance companies are relatively sizeable because of minimum start-up capital requirements. Direct government regulatory requirements to establish internal audit in private companies are also restricted to banking and insurance industries.

2.1.6. History of Hotel Industry in Ethiopia

When we trace back to the history of hospitality industry in Ethiopia, we get Itegue Taitu Hotel, built in the early 1900s, believed to be the first modern hotel in Ethiopia. It was named after its founder Empress Taitu Betul, the wife of Emperor Menelik II. It was built for the purpose of providing service to foreigners as a cozy place to rest and dine. According to Ebisa and Andualem, (2013), in Ethiopian following millennium in 2007 every sector of the country goes high particularly in hotel accommodations even if the hotels characterized by its less competitive comparing to other African country.

Currently, many new hotels are opened and others were under construction, as stimulated by the initiative of Government of Ethiopia and the sharp rise in demand. Additionally, the revenue collected from this sector has also shown remarkable growth. But, with other African countries hotels, there are still have enormous service related problems and less competitive compared to other African countries hotel.

Currently, Hotel industry in Ethiopia in general and in Addis Ababa in particular is on its booming stage. In the past five years on average one hotel has been constructed in Addis Ababa. Twenty years ago there was less than 10 standard hotels and according to the Ministry of Culture and Tourism of Ethiopia and Addis Ababa Culture and Tourism hotel currently there are 250 hotels in the industry in Addis Ababa.

In the August 2015 evaluation the Ministry together with UN professionals awarded five stars to 7 hotels and four stars for 14 hotels in Addis Ababa. In addition Ministry of Culture and Tourism of Ethiopia with Addis Ababa City Administration Culture and Tourism office award five stars for two hotels in 2018/19. As of June 2018/2019 the five star hotels are 9 in Addis Ababa.

Getfam International, Sheraton Addis, Elilly International Hotel, Marriot Executive Hotel, Capital Hotel & Spa, Radisson Blue, Golden Tulip Addis Ababa, Skylight Hotel and Hayat Regency are the five star hotels in Addis Ababa.

2.2. Empirical Evidences Review

Different scholars studied about internal audit in the Ethiopia perspective. Most of the studies focus on the internal audit practice in different organizations. Others studies on the internal audit effectiveness, the role of internal auditor and the likes. The researcher reviews some of the studies by those scholars as follows:

Mihret and Yismaw (2007) conducted a research on internal audit effectiveness: an Ethiopian public sector case study with the purpose of identifying factors impacting the effectiveness of internal audit services. Based on that the paper examines how internal audit quality, management support, organizational setting, auditee attributes, and the interplay among these factors, influence internal audit effectiveness. The findings of the study highlight that internal audit effectiveness is strongly influenced by internal audit quality and management support, whereas organizational setting and auditee attributes do not have a strong impact on audit effectiveness.

Kedir et al (2014) conducted a research on Internal auditing standards and its practice the case of East Arsi Zone, Ethiopia. The purpose of the study was to investigate how major internal audit standards are applied in the internal audit departments of selected public enterprises in East Arsi

Zone, Ethiopia. Accordingly competency, compliance, Independency, Risk management and quality assurance has been taken as major parameters for comparison. 36 Questionnaires were distributed for the target population.

Questionnaires were designed to measure the level of agreement of the respondents on the applicability of each parameter. The result shows competency in terms of educational level, background and experience is in line with the standards. Though majority of the respondents are agreed that they are working as per internal auditing standards, a number of auditors don't agree on the compliance. Auditors also responded that their independency is impaired because most of the time they are attached with internal functional areas.

Muhammed (2016) conduct a research on; The Role of Internal Auditors in Private and Public Organizations of Jimma Zone Selected Weredas, Ethiopia. The objective of this study is to assess the role of internal auditors in both private and public organizations found in Jimma zone purposively selected weredas. Both primary and secondary data have been used. Totally 128 self-administered questionnaires were distributed to members of the audit committee or equivalent found in both the public and private enterprises in the study area. From this 100 (78 % response rate) questionnaires were completely filled and returned (77questionnaires from public organizations and 23 from the private companies). Collected data was edited, coded, and entered into the computer using SPSS 20 and was then scored. Data analyses are conducted through a descriptive statistics to provide details regarding the roles played by internal auditors. The major finding of the research shows that some of the private and public organization in the case study did not have an audit committee, audit charter and the members of the audit committee did not have a professional certificate in the field. On average, even though the chief audit executive and the internal auditors of both the private and public organization found in Jimma zone selected weredas are playing different activities in the organizations, as compared to the standard, they are not playing their role as expected. Based on these findings the organizations are recommended to enhance the role of internal auditors through training of staff in accredited institutes at home and abroad, preparing a comprehensive charter that incorporate all the activities of internal auditing.

Assfaw (2017) conducted a research on Evaluation of Effectiveness of internal Auditing Services in Southern Public Regional Bureaus, Ethiopia. An efficient and effective practice of internal

auditing system is as a whole becomes vehicle for efficient and effective performance of the organization. The internal auditor is often considered one of the core pillars of corporate governance. Larger and more complex systems demand greater competency and professionalism from internal auditing, and scarce resources must be deployed more efficiently to minimize and manage risk. In line with this, the main purpose of the paper is evaluation of effectiveness of internal auditing system in government organizations in Ethiopia, especially in South Regional Bureaus. For achieving this objective, both primary and secondary data were drawn using questionnaires and interview and analyzed in the most appropriate techniques such as; frequency tables, percentages and chi-squared test. The study revealed that there was structural problem (reporting relationship) that impair the auditor independency and objectivity; there was not audit committee that leads to inefficient and ineffective internal audit work; there was inadequate technical staff proficiency and high staff turnover due to absence of continuous professional development programs for internal auditors and lack of sufficient salary that can retain exiting staffs and attract new competent professionals. Furthermore, auditee departments and the managements did not see that the audit service can add value to their activity and to the organization and they have not adequately supported the department. It was also evaluated that the scope of internal audit services is limited only to financial statement audit and performance audit is overlooked. Therefore, there should be extending the scope of internal audit services by including performance audit with appropriate risk analysis; increase technical proficiency of the internal audit staff and minimize staff turnover; creating proper relationship with key stakeholders by creating awareness on internal as internal audit service in the organizations can add value to the overall success of the organization; establishment of audit committee; amending the reporting structure of internal audit department that can allow adequate independence to internal auditors; put into practice internal and external audit quality assurance and improvement programs, and alleviating other impeding factors related to audit execution in the organizations under study.

Mhitet et.al (2012) conducted a research on the development of internal audit in Ethiopia: the role of institutional norms. The purpose of the paper is to examine the extent to which institutional norms determine attributes of internal audit practices and how institutional changes explain the development of these practices. The authors employed a qualitative research approach based on archival analysis and interview evidence. Findings indicate that regulation-based institutional

norms explain the adoption of internal audit and the function's characteristics in Ethiopian organizations. Furthermore, innovative introduction of internal audit practices originate within individual organizations and eventually get institutionalized through diffusion. Such innovations are associated with organizational size, top management characteristics, internal audit advancement in technology, and exogenous input from the external environment. Widely accepted internal audit practices, as institutional norms, are not always taken-for-granted at the level of individual organizations. The institutional change perspective enables explaining how new internal audit approaches are introduced to supplant old ones.

Tsegaye (2018) conducted a research on The Assessment of Internal Audit Practices in Private Commercial Banks of Ethiopia. In order to assess the internal audit practices in private commercial banks of Ethiopia, the researcher took the aforementioned Mandatory Guidance Elements as a benchmark for the study. The sample of the research was five private banks that selected by using purposive sampling technique. Both qualitative and quantitative data types were applied in the study. Primary and secondary data are collected and analyzed by using a scientific method, SPSS. The finding was in general, the mandatory guidance requirements conformance level within the selected Private Commercial Banks of Ethiopia did not move up to the expectation that satisfies the IAS. The existing healthy conformance with certain mandatory Guidance requirements of the IPPF should be kept up and goes to the sound conformance level by all elements; the existing inadequate conformance have to make improvements until it satisfy the needs of all stakeholders; and lastly, it was attached with poor/below the expectation/ conformance, the Quality Assurance and Improvements Program (QAIP) standard; should be carried out properly by all Private Commercial Banks of Ethiopia were the given ways to curve all unsatisfactory conformances of the mandatory guidance requirements by private commercial banks of Ethiopia.

Yemer and Chekol (2017) conduct a research on The Effect of Internal Control Systems on Hotel Revenue. A case of hotels in Bahir Dar and Gondar Cities. The study designed to investigate the effect of internal control systems on revenue of hotels in Bahir Dar and Gondar Cities, Ethiopia. To do so, the study comprised 30 hotels from the two cities to investigate the relationship and effect of control environment, risk assessment, controlling activity, information and communication systems, and monitoring activity on revenue of hotels via logistic regression

model. The study found that not all internal control components have a positive significant effect for increasing of hotels revenue. However, the study found that control activity, information and communication and monitoring of internal control were predictors of hotels revenue. This research is the only research that could be mention in the hotel industry in Ethiopia as far as the knowledge of the researcher is concerned.

2.3. The Research Gap

We are living in a very dynamic world. The world is changing, and changing fast. In the changing world there are always problems to be solved. In this respect new ideas will be generated in solving those problems that comes when the world is changing.

In this regard this research framed by the mandatory and recommended guidance of IPPF which are issued in 2009 and revised in 2017 by IIA, which incorporates with the principles set forth in mandatory guidance is required and essential for the professional practice of internal auditing. These mandatory guidance elements are categorized into two called attribute standards and performance standards. All mandatory elements of the IPPF are encompassing the standards together with the code of ethics.

As far as the researcher knowledge is concerned there is one research conducted by Tsegaye (2018) a research on The Assessment of Internal Audit Practices in Private Commercial Banks of Ethiopia, which uses the mandatory guidance and recommended guidance as a bench mark for its study. Even though it uses the mandatory guidance and recommended guidance as a bench mark the industry that the research address was the banking industry.

In the hotel industry the only research found by the researcher was by Yemer and Chekol (2017) on The Effect of Internal Control Systems on Hotel Revenue. A case of hotels in Bahir Dar and Gondar Cities. There are no other researches on this industry regarding internal audit practice. The researcher believes that this area is untouched and researchable. Therefore, the researcher will try to contribute its part for the research gap in this industry.

2.4. Conceptual Framework

From reading different books and reviewing different articles the researcher designed a conceptual framework that the Ideal and effective Internal audit practice in an organization looks like.

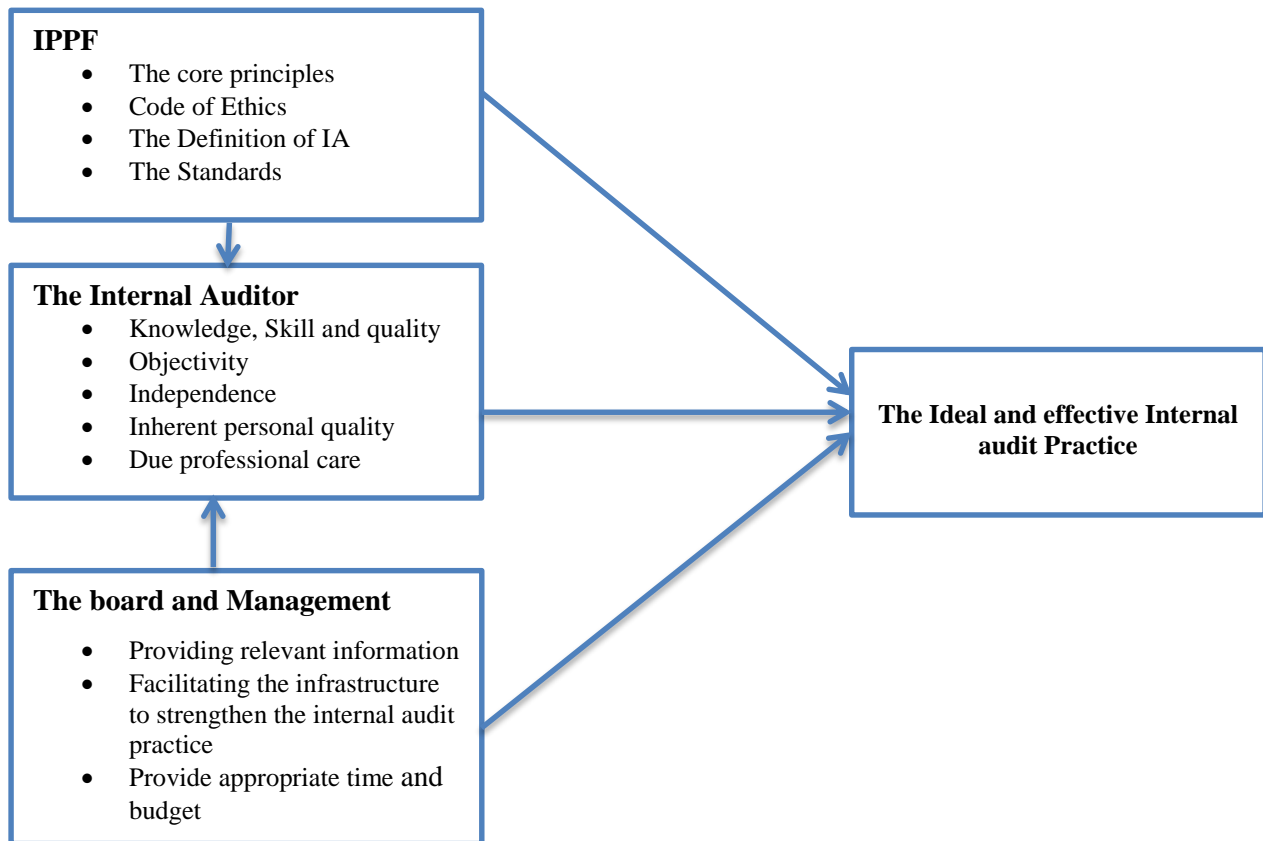


Figure 1. Conceptual framework (Designed by the researcher based on literature review)

CHAPTER TREE

3. RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

The Research design and methodology that is applied by the study has been chosen in order to acquire information and deduce conclusions about the practice of internal audit in the hotel industry. This chapter discussed about the research design and methodology to be utilized in the research process. The chapter is classified in to seven sections. The first section discussed the research design, the second section presents research types and source of data, target population and sampling is discussed in section three of this chapter, in the fourth section Method of Data Collection and Instrument is discussed, the fifth section presents the data analysis method, and finally the sixth section presents the tools of interpretation.

3.2. Research design

Through a research design you decide for yourself and communicate to others your decisions regarding what study design you propose to use, how you are going to collect information from your respondents, how you are going to select your respondents, how the information you are going to collect is to be analyzed and how you are going to communicate your findings.

According to Selltitz, Deutsch and Cook, ‘A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure’ (1962:50).

The main purposes of this study is to assess the internal audit practice of five star hotels in Addis Ababa and investigate the gap in the internal audit practice in the industry and propose recommendations for how those hotels in the category overcome the gaps.

For the above reason the study used a descriptive design to assess the internal audit practice in five star hotels. Descriptive research is an appropriate choice when the research aim is to identify characteristics, frequencies, trends, correlations, and categories. It is useful when not much is

known yet about the topic or problem. Before you can research why something happens, you need to understand how, when and where it happens (Shona 2019).

As clearly mentioned in the research gap there is no other studies regarding the internal audit practice based on the mandatory and recommended guidance of the IPPF in the hotel industry. This research describe the internal auditing practice based on the mandatory guidelines of IPPF the selected five star hotels in Addis Ababa.

3.3. Research approach and Source of Data

As per Creswell (2003) there are three approaches that are used in conducting a given research. These are quantitative, qualitative and mixed research approach. In this research the researcher will going to use mixed research approach to get a benefit of both qualitative and quantitative data.

Mixed Research, or what is referred to as mixed methods research, involves “mixing or combining quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study” (Johnson & Onwuegbuzie, 2004, p. 17).

The basis for employing these designs are likewise varied, but they can be generally described as methods to expand the scope or breadth of research to offset the weaknesses of either approach alone (Blake, 1989; Greene, Caracelli, and Graham, 1989; Rossman and Wilson, 1991). Some researchers have integrated several different metrics to create mixed methods. In sum, there is as of yet no discrete list of mixed methods design options, and so researchers should plan to develop a design that answers their own research questions within the constraints and boundaries of the study context (Johnson & Onwuegbuzie 2004: 20).

3.4. Population and Sampling

In Addis Ababa as per the data from Addis Ababa Culture and Tourism office there are 9 five star rated hotels as of Hidar 30, 2012EC. In these hotels there are a total of 22 internal auditors (4 in Sheraton Addis, 3 in each Hayatt Regency and Skylight Hotel, 2 in each Capital, Ellele, Marriot Executive, Radison Blue, Golden Tulip and Gatefam Hotel). The researcher took all the 22 internal auditors as the targeted population.

When the population is small and manageable for the study the researcher can take all the entire population to study. In this regard to get the best data from the population the researcher chooses to study the entire population. Therefore, the researcher took all 22 internal auditors from five star category(Sheraton Addis(4), Hayatt Regency(3), Skylight Hotel(3), Marriot Executive Hotel(2), Capital Hotel and Spa(2) Ellele Hotel(2), Radissen Blue (2), Getfam Hotel(2) and Golden Tulip Hotel(2)). All 100% of the total population included in the study so that the researcher believes that the sample is more representative.

3.5. Method of Data Collection and Instrument

As primary data collection instrument the researcher used questionnaire, whereas secondary sources data generated through a review of relevant documents. The researcher took questioners prepared by Tsegaye (2018) and make some modifications. The questioners incorporates close end and open end questions. For the close ended questions a 5 point likerts scale questions that ranged in agreement from (1) strong disagreement to (5) strong agreement form of instrument. The questioners distributed for all Internal Auditors in the population [i.e. 22 internal auditors]. The researcher believes that first-hand information could collected from internal auditor personnel's which are directly involved in the practice of the internal audit. The response from these professionals would be helpful to show the actual practice of internal audit in the hotel industry.

3.6. Data analysis method

After the researcher completed the data collection, data entry and data cleaning for this study; the researcher applied the most common method for social science research called Statistical Package for the Social Sciences (SPSS) version 23 to get the required data analysis results for study.

3.7. Tools of Interpretation

The result of statically analysis are summarized, tabulated and interpreted appropriately. Frequency and percentage have been used to present the data. Tables are also use to ensure easily understanding of the analysis.

CHAPTER FOUR

4. RESULTS AND DISCUSSION

4.1. Introduction

This chapter is classified into three sections. In general the chapter will discuss about the findings and discussion based on the data collected and analysis. The first section presents the highlights regarding the collected data. In the second section reliability analysis test and results for all data by using SPSS are presented. At last in the third section discussion and analysis on the collected data are incorporated.

4.2. Highlights regarding the Collected Data

The primary data is collected by distributing likerts scale questioners to the internal auditors in the nine five star hotels. The questioners were prepared and distributed to the entire population of 22 auditors in the nine five star hotels. The questioners are distributed through email (12 respondents) and physically (10 respondents) to the internal auditors and closely followed till the final collection date. From all the total questioners distributed by email all of them are collected and from the total questioners physically distributed to the internal auditors 8 of them are collected the rest 2 respondents were not able to fill and respond the questioner because of the pandemic(COVID-19).

From the total 22 questioners 20 questioners were filled properly and collected and used for the analysis. From the entire population 91 % ($20/22=91\%$) were used for data analysis which is more representative.

There should be some rules to measure the quality level. Therefore, the researcher set four quality levels as a yardstick to measure the conformance level of internal audit practice in five star hotels. If average mean ≥ 4 then the quality level is adequate, between $3.5 \leq$ average mean < 4 then the quality level fair/good/well, $3 \leq$ average mean < 3.5 then it can be conclude that the quality level is inadequate and average mean < 3 then it can be conclude that the quality level is poor.

4.3. Reliability Analysis

To measure the reliability Cronbach's alpha (α) is used which was developed by Lee Cronbach in 1951. Cronbach's alpha is used to measure reliability or internal consistency between different items of the same construct. According to (Field, 2009; Cohen and Sayage, 2010) Cronbach's Alpha value greater than .700 is very acceptable. The table below shows the reliability statistics result of all variables equals to 0.949 meaning that the responses collected for all the variables' used in the research are very reliable enough for data analysis.

Table 2. Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.949	.941	36

Source: Own Survey SPSS Output

4.4. Discussion of Data from Demographic Questionnaire

In the next section gender, age, education, current position, related professional certification, year of work experience, qualification and current position will be presented and discussed.

4.4.1. Respondents' Profile Summary

1. Gender profile

Table 3. Gender Profile

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Female	4	20.0	20.0	20.0
Male	16	80.0	80.0	100.0
Total	20	100.0	100.0	

Source: SPSS questioner analysis result

As we can simply observe from the above table the from the total number of respondents 4 of the them are female which took proportion 20% and the remaining 16 respondents were male which is 80% of the total. In the selected hotel category the proportion of female internal auditors are low than the proportion of male.

2. Age Profile

Table 4. Age Profile

Age	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less Than 30	2	10.0	10.0	10.0
30-40 Years	4	20.0	20.0	30.0
41-50 Years	8	40.0	40.0	70.0
51-60 years	5	25.0	25.0	95.0
Above 60 years	1	5.0	5.0	100.0
Total	20	100.0	100.0	

Source: SPSS questioner analysis result

As per the questioner the age profile was classified in to five groups and summarized in the result accordingly. From the total respondents 8 of them with the proportion of 40% from the total share were in the age between 41-50 years, 5 of them with the proportion of 25% from the total share were between 51-60 years, 4 of them with the proportion of 20% from the total share were between 30-40 years, 2 of them with the proportion of 10% from the total share were age less than 30 years and only 1 respondent with the proportion of 5% from the total share were above 60 years.

In this age mix the lion share which is 70% of the respondents age was between 30 to 50 years this indicates that the internal auditors are more active and matured, 25% of the age is between 51-60 years and only 5 % of the respondents were aged more than 60 years in the internal audit professions in the selected five star hotels.

3. Educational Back Ground

Table 5. Educational back Ground

Education	Frequency	Percent	Valid Percent	Cumulative Percent
Valid BA Degree	12	60.0	60.0	60.0
Master's Degree	8	40.0	40.0	100.0
Total	20	100.0	100.0	

Source: SPSS questioner analysis result

The study sought from the respondents regarding their educational status as clearly shown in table 5 above from the total respondents 12 of them which accounts 60% of the share were BA Degree holders and the remaining 8 respondents with a proportion of 40% were Master's degree holders. None of the respondents were uneducated or even have not educational background of less than BA degree. It can be conclude that all the respondents are well educated.

4. Certification related to the profession

Table 6. Certification related to profession

Certification	Frequency	Percent	Valid Percent	Cumulative Percent
Valid ACCA	10	50.0	50.0	50.0
CPA	3	15.0	15.0	65.0
No Certification	7	35.0	35.0	100.0
Total	20	100.0	100.0	

Source: SPSS questioner analysis result

In accounting and auditing professions additional certifications like ACCA, CPA, CIA etc certifications are vital together with educational backgrounds and work experience. From the total internal auditors in the five star rated hotels 10 of them with a proportion of 50% have ACCA certification, 3 of them have with a proportion of 15 % have CPA certification and the rest 7 with a proportion of 35% have no certification. The big portion, 65% of the respondents have a certification related to the profession which an asset to the hotels and is in support of the audit standard number 1200- Proficiency and due professional care.

5. Total year of work experience

Table 7. Total Year of Work Experience

Total Work Experience	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 3 to 6 years	4	20.0	20.0	20.0
7 to 12 years	7	35.0	35.0	55.0
13 to 15 years	5	25.0	25.0	80.0
Above 15 years	4	20.0	20.0	100.0
Total	20	100.0	100.0	

Source: SPSS questioner analysis result

When recruiting in any organization work experience in a profession is one of the very important issues because it is believed that good work experience benefits the organization in a positive manner. In this regard from the assessment 4 of the total respondents with a proportion of 20% share have work experience in the profession between 3 to 6 years, 7 of the total respondents with a proportion of 35% share have work experience in the profession between 7 to 12 years, 5 of the total respondents with a proportion of 25% share have work experience in the profession between 13 to 15 years and 4 of the total respondents with a proportion of 20% share have work experience in the profession more than 15 years.

From this result it can be concluded that 80% of the staffs recruited in the five star hotels have a work experience more than 7 years; meaning that those staff share their experience to organize and successfully handle the internal audit process better.

6. Work experience in the current hotel

Table 8. Work Experience in the current hotel

	Frequency	Percent	Cumulative Percent
Valid 1 year	2	10.0	10.0
2 years	4	20.0	30.0
3 years	5	25.0	55.5
4 years	4	20.0	75.0
Above 5 years	5	25.0	100.0
Total	20	100.0	

Source: SPSS questioner analysis result

The staff work experience in the current hotel they are working is summarized as follows. From the total respondents 2 of them with a percentage share of 10% have 1 year experience, 4 of them with a proportion of 20% share have 2 years' experience, 5 of them with a percentage share of 25% have 3 years' experience, 4 of the which possess 20% of the share have work experience 4 years and 5 respondents possessing 25% share have a work experience more than 5 years.

From this result 14 respondents holding 70% of the shares have more than 3 years work experience in the current hotel which implies that those staffs know better about the internal audit practice, working environment and culture of the hotels so that the information collected from them was very reliable.

7. Qualification

Table 9. Qualification

	Frequency	Percent	Cumulative Percent
Valid Accounting	15	75.0	75.0
Management	4	20.0	85.0
Marketing	1	5.0	100.0
Total	20	100.0	

Source: SPSS questioner analysis result

The respondents' qualification from the analysis result is shown in the above table that 15 of them possessing 75% were from accounting field, 4 of the respondents having 20% share were from Management and only 1 respondent with 5% share were from Marketing. The field of study that dominate in the stuffing of internal auditors in those five star hotels accounting holding 75% of the total share.

8. Current position

Table 10. Current Position

	Frequency	Percent	Cumulative Percent
Valid Audit Manager	9	45.0	45.0
Senior Auditor	8	40.0	85.0
Auditor	3	15.0	100.0
Total	20	100.0	

Source: SPSS questioner analysis result

When it comes to the position of the internal auditor in the five star hotels the result shows that 9 respondents possessing 45% were Audit Managers, 8 respondents having 40% of the auditors are Senior Auditor and 3 of them holding 15% are just Auditors.

4.4.2. Analysis of Likert Scale questioners

The Likert scale questioner was classified in to four parts three of them are based on the mandatory guidelines of the International Professional Practice Frame work. Part one was statement about audit charter(Q1.1 to Q1.3), part two were statement about the Code of Ethics(Q2.1 to Q2.4) and The Standards(Q2.5 to Q2.22) which have to sub parts (Attribute standards (Q2.6 to Q2.13) and Performance Standards from question Q2.14 to Q2.22)), part three were statement about management cooperation and challenges from question (Q3.1 to Q3.8) and finally part 4 were statement about the internal auditors updating their knowledge(Q4.1 to Q4.3). This section present the internal audit practices in the five star hotels in Addis Ababa based on the mandatory guidelines of the IPPF.

4.4.2.1. Statement about audit charter

The below table summarizes the results from the respondents for the following three questions regarding the audit charter(Q1.1 to Q1.3)

Table 11. Statement about audit charter

Questions	SD(1)	D(2)	N(3)	A(4)	SA(5)	Mean	St. Div	Total
Internal audit activity's purpose, authority, and responsibility are formally defined in an internal audit charter.	1(5%)	8(40%)	8(40%)	3(15%)	0(0%)	2.65	0.813	20(100%)
Internal audit charter is periodically reviewed and presented to senior management and the board for approval.	2(10%)	9(45%)	8(40%)	1(5%)	0(0%)	2.4	0.754	20(100%)
The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing are recognized in the charter.	3(15%)	6(30%)	10(50%)	1(5%)	0(0%)	2.45	0.826	20(100%)

Source: SPSS questioner analysis result

Q1.1 From the total respondents about 9 of them holding 45% strongly disagree and disagree on the question with the mean value of 2.65. This indicates that most of the responses goes to the disagree side than the agree side. Therefore, it can be conclude from the analysis that the majority of the respondents replied regarding the internal audit activities purpose, authority and responsibility are not well defined.

Q1.2 As shown from table 11 above in aggregate 55% of the respondents were in the position of disagree side with the mean value of 2.40. This depicts that the internal audit charter did not revised periodically and presented to the management and the board for approval.

Q1.3 From the total respondents only 1% of the internal auditors were in the side of agree and the majority of the respondents with 45% are in the position of disagree. In addition to this the mean value(2.45), which falls between the yardstick to measure less than 3 which equals to poor, strongly

support the disagree position. This means that the mandatory nature of the core principles for the Professional Practice of Internal Auditing, the code of Ethics, the standards, and the definition of internal auditing are not recognized in the audit charter well.

4.4.2.2. Statement about The Code of Ethics

The questions below (Q2.1 to Q2.4) are extracted from the code of ethics and used as a benchmark to measure the quality of the audit practice in the five star hotels and the results were discussed below.

Q2.1 The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

Q2.2 Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

Q2.3 Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Q2.4 Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Table 12. The Code of Ethics

		Q2.1	Q2.2	Q2.3	Q2.4
N	Valid	20	20	20	20
	Missing	0	0	0	0
Mean		3.6000	3.6500	3.6500	3.8000
Std. Deviation		.68056	.74516	.67082	.52315
Minimum		3.00	2.00	3.00	3.00
Maximum		5.00	5.00	5.00	5.00

Source: SPSS questioner analysis result

As per the above result in table 12 the majority of the internal auditors with regard to the integrity of the internal auditors, internal auditors professional objectivity, internal auditors confidentiality and competence with in the hotels were fair or good with average mean value of 3.68 and average standard deviation of 0.66 which witnessed that the variation of perception among the respondents (internal auditors of the hotels) was low.

4.4.2.3. Statement Attribute Standards

The following eight questions (Q2.6 to Q2.13) were derived from the attribute standards (Independence and Objectivity, Proficiency and Due professional care, organizational independence, direct interaction with the board, individual objectivity, Quality assurance and Improvement program and disclosure of nonconformance) and they are used as a measure to analyze the quality level of compliance with in the five star hotels.

Table 13. Attribute Standard Analysis

Questions	SD(1)	D(2)	N(3)	A(4)	SA(5)	Mean	St. Div	Total
Q2.6 Internal auditors are free from intervention of other in performing of their duties and they are unbiased.	0(0%)	11(55%)	6(30%)	3(15%)	0(0%)	2.60	0.754	20(100%)
Q2.7 An internal auditor has competent skills and experience in different areas to perform their duties.	0(0%)	0(0%)	4(20%)	16(80%)	0(0%)	3.80	0.410	20(100%)
Q2.8 Internal auditors apply the care and skill expected of a reasonably prudent and competent internal auditor.	0(0%)	0(0%)	5(25%)	15(75%)	0(0%)	3.75	0.444	20(100%)
Q2.9 The chief audit executive report functionally to the board.	4(20%)	7(35%)	6(30%)	3(15%)	0(0%)	2.40	0.947	20(100%)
Q2.10 The chief audit executive communicates	1(5%)	11(55%)	5(25%)	3(15%)	0(0%)	2.50	0.827	20(100%)

and interacts directly with the board								
Q2.11 Internal auditors have an impartial, unbiased attitude and avoid any conflict of interest.	0(0%)	0(0%)	14(70%)	6(30%)	0(0%)	2.85	0.470	20(100%)
Q2.12 The chief audit executive develops and maintains a quality assurance and improvement program that covers all aspects of the internal audit activity.	0(0%)	2(10%)	18(90%)	0(0%)	0(0%)	2.9	0.308	20(100%)
Q2.13 The chief audit executive discloses nonconformance with code of ethics or the standards impacts to the senior management and the board.	0(0%)	12(60%)	8(40%)	0(0%)	0(0%)	2.4	0.503	20(100%)

Source: SPSS questioner analysis result

The result for Q2.6 reveals that 11 of the respondents which possess 55% of the internal auditors replied independence and objectivity standard was poor in the five star hotels and in this regard the result was also supported by mean value of 2.6 which is a very low or poor quality level. The variance among the respondents was also very low with standard deviation of .754.

The next two questions Q2.7 and Q2.8 were about the Proficiency and Due Professional care. The majority of respondents reacted for the questions on average that 78% of them were in the side of “agree” and this percentage also supported by the mean average of 3.78 with a low variation between the respondents with average standard deviation of 0.427. This implies that the internal auditors in the five star hotels have competent skills, knowledge and experience as it can be simply refer the result from table 12 which strengthen the result of these two questions.

With regard to question Q2.9 and Q2.10 extracts from the attribute standards that the chief audit executives organizational independence and direct interaction with the board and the results are summarized in the following paragraph.

From the total respondents for question Q2.9, 20% of the respondents strongly disagree and 35% of the internal auditors replied that they disagree with the organizational independence sufficiency with in the five star hotels. The mean value which is 2.4 also suggests that the quality level of the chief audit executive functionally reporting to the board is insufficient. Regarding question Q2.10, 5% of the internal auditors strongly disagree and 55% of the respondents disagree that the direct interaction and communication of the chief audit executive with the board satisfactory in the five star hotels. In addition to this the mean value which is 2.5 supports the result and the standard deviation is 0.83 implies that the variation between the respondents in regard to this question was somehow low.

Generally, the result for the two questions depict that the involvement of the internal auditors in the board is very poor with average mean value of 2.45 as it can be refer from the yardstick measure value the average mean for the two questions fall in average mean less than 3 which equates poor.

The result of Q2.11 shows that the majority of the internal auditors which accounts 70% of the total were neutral. The remaining 30% of them replied that they agree that the internal auditor in the hotels have an impartial, unbiased attitude and avoid any conflict of interest. But the mean value 2.85 indicates that even though 30% of the auditor agreed the quality level in this regard is still poor. The standard deviation (0.47) suggested that the variation between the respondents were low.

Majority, 90% of the internal auditors gave their answer neither agree nor disagree for question Q2.12 that the CAE develop and maintain a quality assurance and improvement program that covers all aspects of the IAA. The rest 10% replied disagree. The mean value 2.9 suggest that the quality level in the respect is also poor.

The last question which extracted from the attribute standards was question Q2.13. The result depicted that the quality level of the chief audit executive in disclosing nonconformance with code of ethics or the standards impacts to the senior management and the board were poor which is supported by the mean value of 2.4.

4.4.2.4. Statement about Performance Standards

From question Q2.14 to Q2.22 were derived from the performance standards (Managing the Internal Audit Activity, Communication and Approval, Resource Management, Policies and procedures, Reporting to Senior Management and the Board, Governance, Risk management, Engagement planning and Planning) and are used as a benchmark to analyze the quality level compliance with in the five star hotels.

Table 14. Performance Standards Analysis

Questions	SD(1)	D(2)	N(3)	A(4)	SA(5)	Mean	St. Div	Total
Q2.14 The chief audit executive effectively manages the internal audit activity to ensure it adds value to the organization.	0(0%)	4(20%)	10(50%)	5(30%)	0(0%)	2.9	0.718	20(100%)
Q2.15 The chief audit executive communicates the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.	0(0%)	8(40%)	11(55%)	1(5%)	0(0%)	2.65	0.587	20(100%)
Q2.16 Internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.	0(0%)	6(30%)	13(65%)	1(5%)	0(0%)	2.75	0.55	20(100%)
Q2.17 Policies and procedures to guide the internal audit activities are established.	0(0%)	5(25%)	6(30%)	9(45%)	0(0%)	3.2	0.834	20(100%)

Q2.18 Reports are done periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan and on its conformance with the Code of Ethics and the Standards.	0(0%)	11(55%)	6(30%)	3(15%)	0(0%)	2.6	0.754	20(100%)
Q2.19 The internal audit activity assesses and makes appropriate recommendation to improve the organization's governance process.	0(0%)	3(15%)	16(80%)	1(5%)	0(0%)	2.9	0.447	20(100%)
Q2.20 The internal audit activity evaluates the effectiveness and contributes to the improvement of risk management processes.	0(0%)	9(45%)	11(55%)	0(0%)	0(0%)	2.55	0.51	20(100%)
Q2.21 There is a developed and documented plan for each engagement which includes engagement's objectives, scope, timing, and resource allocations.	0(0%)	11(55%)	3(15%)	6(30%)	0(0%)	2.75	0.91	20(100%)
Q2.22 Internal audit completes its tasks as intended plan.	1(5%)	6(30%)	8(40%)	5(25%)	0(0%)	3	0.795	20(100%)

Source: SPSS questioner analysis result

From the total respondents for Q2.14; 20% of them disagree, 50% neutral and 30% of them replied agree. Even though 30% the respondents agree the chief audit executive manage the internal audit activities the mean suggest with the value of 2.9 that the CAE managing activity in the five star hotels were insignificant.

The internal auditors replied for Q2.15 was; 40% disagree, 55% neutral and 5% agree that the CAE communicate the senior management and the board for review and approval of IAA's and resource requirements. The lion share of the result which is 40% the respondents disagree that CAE

communicate the senior management and the board for review and approval of IAA's and resource requirements weak and the result is supported by 2.65 mean value which indicates that the quality level of the internal audit practice in this respect is weak.

In respect of Q2.16 which were about resource management that the internal audit resources are appropriate, sufficient and effectively deployed; 30% shown their disagreement, 65% were neither agree nor disagree and the rest 5% of the respondent were in the side of agree. The overall the result indicates that the appropriateness, sufficiency and deployment of resources for the internal audit are insignificant and it is supported by a mean value of 2.75. The standard deviation was 0.550 which indicate that the variation between the respondents are small. The majority of the respondents(45%) for Q2.17 shows their agreement that Policies and procedures to guide the internal audit activities are established but the mean value(3.2) suggest that it is still inadequate with standard deviation of 0.834 depicting that the variation between the respondents perception in this regard is somehow low.

From the total respondents for question Q2.18; 55% of them, the majority of the respondents, did not believe that reports are done to Senior Management and the Board periodically on the IAA's based on its plan and conformance with the code of ethics and the standards. The mean value 2.6 also ascertain that the majority of the respondents were in the side of disagree and the standard deviation of 0.754 which depict that variation between respondents were small. As the average mean value 2.73 for Q2.19 & Q2.20 with regard to IAA's in respect of Governance and Risk management indicates poor.

The final two questions (Q2.21 & Q2.22) which extracted from performance standards were Engagement planning and planning. The majority of the respondents consisting of average 45% disagreed that there is a developed and documented plan and internal audit completes its task as intended plan. This result were supported by the average mean value 2.9.

Generally, it could be observed from the above table that the majority of internal auditor of the five star hotels regarding the compliance level with regard to the performance standards within their organization responded as a poor and it is supported by the average mean value of 2.8 and the mean standard deviation value of 0.677 which implies that the variation between the internal auditors were somehow small.

4.4.2.5. Statement about Management cooperation and challenges

In the following section eight questions from Q3.1 to Q3.8 were taken out from management cooperation and challenges to the internal audit activities and used as a benchmark to analyze the quality of the internal audit practice in the five star hotels and the result were analyzed and presented below.

Table 15. Management cooperation and challenges analysis

Questions	SD(1)	D(2)	N(3)	A(4)	SA(5)	Mean	St. Div	Total
Q3.1 Based on the report of internal audit the management takes timely corrective action.	0(0%)	7(35%)	11(55%)	2(10%)	0(0%)	2.75	0.639	20(100%)
Q3.2 The response of management to the reported audit finding is too important.	0(0%)	0(0%)	7(35%)	13(65%)	0(0%)	3.75	0.89	20(100%)
Q3.3 The management enforced the internal audit system to be effective.	0(0%)	8(40%)	11(55%)	1(5%)	0(0%)	2.65	0.587	20(100%)
Q3.4 There is a higher management commitment to strengthen the internal audit department.	0(0%)	9(45%)	6(30%)	5(25%)	0(0%)	2.8	0.834	20(100%)
Q3.5 There is low readiness of auditee to take the corrections that are given by the internal auditor.	0(0%)	3(15%)	3(15%)	14(70%)	0(0%)	3.85	0.867	20(100%)
Q3.6 The auditees are highly cooperative with the internal auditor.	3(15%)	10(50%)	7(35%)	0(0%)	0(0%)	2.2	0.696	20(100%)
Q3.7 The auditees have a positive attitude to the internal audit department.	0(0%)	17(85%)	3(15%)	0(0%)	0(0%)	2.15	0.366	20(100%)
Q3.8 Internal auditors have full access to get the information they needed from Auditee	0(0%)	8(40%)	12(60%)	0(0%)	0(0%)	2.65	0.489	20(100%)

Source: SPSS questioner analysis result

The result discussed in the next paragraph extracted from the above table indicates that the respondents agree that the management cooperation in general is not good enough.

Although the respondents believed on the importance of the management response for audit findings, on average for the above eight questions (Q3.1 to Q3.8) 3% of them replied strongly disagree, 39% of them respond disagree, 48% of them were neutral and the remaining 11% answered agree. The internal auditors of the five star hotels from their response to strongly disagree and disagree accounted the majority share of 41% with an average mean value of 2.66. This indicates that the management cooperation level in the five star hotels were poor. The average standard deviation 0.596 justify that the variation between the respondents perception in regard to management cooperation were low.

4.4.2.6. Statement about internal Auditors updating their knowledge

The following three questions Q4.1 to 4.3 were analyzed to measure the level of internal auditors in the five star hotels update their knowledge and the results were summarized as follow.

Q4.1 Internal auditors are well active to the new/refined proclamations issued from any government body.

Q4.2 Internal auditors have large enough knowledge to the new financial reporting system (IFRS).

Q4.3 There is a trend of using soft-ware to facilitate internal audit activity.

Table 16. Internal Auditors updating their knowledge

		Q4.1	Q4.2	Q4.3
N	Valid	20	20	20
	Missing	0	0	0
Mean		3.7500	4.3500	2.8500
Std. Deviation		.44426	.48936	.81273
Minimum		3.00	4.00	2.00
Maximum		4.00	5.00	4.00

Source: SPSS questioner analysis result

It quite clear from the results that the internal auditors update their knowledge with regard to government laws, proclamation and IFRS which were supported by the average mean value 4.05 for Q4.1 and Q4.2 which indicate that the results in this case is fair or well. But they lack insufficiency in respect to the uses soft-ware to facilitate the internal audit activities and it is maintained by 2.85 mean value meaning that the quality level in this end were poor.

4.4.3. Analysis of Open-Ended Questions

4.4.3.1. Respondents opinion regarding internal audit practice in their organization

Most of the respondents replied for this question that the understanding of the management and the owners for internal audit activity is in its infant stage. In this industry there is not a well-organized internal audit department most of the hotels management inclined in one side of the company activity. The management concern in most of the hotels are how much customers are checked in and how much income is generated in the week end or in them month or in the year. They want the internal audit to be functional in the way that the audit department to make vouching that the income is correct and the disbursements are made appropriately.

4.4.3.2. Things to be improved in the internal audit practice in your organization.

Majority of the internal auditors underline on the intervention of shareholders and owners of the hotels. Mostly the formation of the hotels is sole trade or even though some of them are private limited companies (PLCs) the majority of their shares on average 90% is held by individuals. As a result of this the owners or major shareholders want to involve in every aspects of the hotel activities. Their understanding for the necessity of internal auditors to the company is insufficient.

4.4.3.3. Challenges you facing in implementing the mandatory guidelines of IPPF

The respondents mention many challenges that they are facing in implementing mandatory guidelines of IPPF among others the majority of them agreed on the below points.

- The attention given to the internal audit department in general is not that much sufficient by even the shareholders
- Nonexistence of board of directors in many of the hotels are the key problem that the internal auditors are facing.
- The perception of other departments for the internal audit department is weak.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1. Introduction

This chapter classified in to three parts. Part one is the summary part which summarizes the findings. Based on the findings part two conclude about the audit practice of the hotel industry and the final part gives recommendations.

5.2. Summary

The findings and the results in chapter four are pin pointed as follows

5.2.1. Summary about the respondents profile

- ✓ The gender profile shows that 20% of the internal auditors were female and 80% of the internal auditors in the five star hotels were male.
- ✓ In ascending order the age profile of the internal auditors in the five star hotels were 40% age between 41-50 years, 25% were between 51-60 years, 20% were between 30-40 years, 10% were less than 30 years and the remaining 5% were age above 60 years.
- ✓ 60% of the internal auditors in the five star hotels were BA Degree holders and 40% were Master's Degree holders.
- ✓ The majority of the internal auditors holding 50% were ACCA certified, 15 % had CPA certification and the rest 35% have not any certification in related to the profession.
- ✓ When it comes to the total years of experience 7(35%) of the internal auditors have experience between 7 to 12 years, 5(25%) of them have between 13 to 15 years of experience, 4(20%) respondents have experience of above 15 years and between 3 to 6 years each.
- ✓ Work experience in the current hotel as internal auditor shows that 25% of the internal auditor have 3 years' experience and the same percentage goes to above 5 years 25% of experience. 4(20%) of the internal auditors have 4 years' experience and the same is

true for 2 years work experience. The rest 2(10%) internal auditors have one year experience.

- ✓ The lion shares 75% of the internal auditors are qualified in Accounting field of study, 20% are qualified in Management and the 5% were qualified in Marketing Management. 9 of the internal auditors position were Audit managers, 8(40%) were Senior Auditors and 3(15%) were Auditors.

5.2.2.Summary about Attribute Standards

- ✓ In accordance with the audit charter the result reveal that the majority of the respondents possessing on average 48% disagree that the purpose, authority and responsibility of the IAA's defined in the charter, periodical review and approval of the charter and the core principles, code of ethics and the standards were recognized in the charter. This result is also supported by average mean value of 2.5.
- ✓ The level of conformance with the code of ethics from the result suggest that the majority of the respondents agree with regard to the integrity of the internal auditors, the internal auditors' professional objectivity, confidentiality and competency. The average mean value 3.68 suggest that the quality level of the internal auditors in the five star hotels is good.
- ✓ With the exception of proficiency and due professional care, the majority of the respondents in this regard express their agreement that the internal auditors knowledge and skill is fair with average mean value of 3.78, five star hotels internal audit practices quality level in respect of the attribute standards the result suggest as a poor with average mean value of 2.61 and average standard deviation of 0.635. The standard deviation suggests that the perception of internal auditors' variation was low.

5.2.3.Summary about performance standard

- ✓ In managing the IAA's 30% of the respondents agreed that the CAE effectively manages the internal audit activities and adds value to the organization but the mean value 2.9 indicate that the CAE quality level in this aspect were poor.

- ✓ With regard to the policies and procedures the majority (45%) of the internal auditors replied their agreement that the policies and procedures to guide the IAA's are established but in general the mean value 3.2 shows that the quality level in this aspect is still inadequate.
- ✓ In conformance with the other performance standards like communication and approval, resource management, reporting to senior management and the board, the governance and risk management, engagement planning and planning the quality level in the internal audit practice were poor with average mean value of 2.74.

5.2.4. Summary about management cooperation

- ✓ Majority of the respondents believe the response of management to the reported audit findings is too importance with 65% share and with a mean value of 3.75 indicates that the quality level in this regard is good.
- ✓ 70% of the internal auditors agree that there is low readiness of auditee to take corrective action which is supported by 3.85 mean value. The result is not still adequate but it is fair.
- ✓ With regard to other questions about management cooperation, management take timely corrective action, management enforced the internal audit system to be effective, management commitment to strengthen the internal audit department, the auditees are highly cooperative with the internal auditors, the auditees have positive attitude and internal auditors have full access to get information from auditee, the majority of them answered their disagreement and supported by average mean value of 2.53 this implies that the quality level is poor. The average variation between the respondents perception in this respect is low which is supported by average standard deviation of 0.6018.

5.2.5. Summary about internal auditors updating their knowledge

- ✓ The internal auditors in the five star hotels updates their knowledge in respect of new proclamations issued by the government and also they are well aware of the IFRS which is new for our country. The average mean value 4.05 support that the internal

auditors quality level in respect of updating their knowledge with regard to new proclamation and IFRS were adequate. But in terms of using soft-ware the quality level is still low with mean value of 2.85.

5.3. Conclusions

5.3.1. Well conformance with mandatory guideline requirements (Average mean greater than 3.5)

- ✓ Regarding the code of ethics: the integrity of the internal auditors , the internal auditors professional objectivity in gathering, evaluating and communicating information about the activity, confidentiality and competency as the average mean value 3.68 suggest that the quality level of the internal auditors in the five star hotels is good.
- ✓ Proficiency and due professional care: In this regard the results suggest that the internal auditors in the five star hotels possess the knowledge, skills and other capabilities needed to perform their responsibilities. The profiles of the internal auditors also witnessed that the internal auditors in the five star hotels have the appropriate qualification and certifications to enhance their knowledge, skill and other competencies. The majority of the internal auditors have ACCA and CPA certification which can help to execute their job in appropriate manner.
- ✓ Majority of the respondents believe the response of management to the reported audit findings is too importance with 65% share and with a mean value of 3.75 indicates that the quality level in this regard is good.
- ✓ 70% of the internal auditors agree that there is low readiness of auditee to take corrective action which is supported by 3.85 mean value. The result is not still adequate but it is fair.

5.3.2. Inadequate conformance with mandatory guideline requirements (Average mean less than or equal to 3.5)

- ✓ Policies and procedures the majority (45%) of the internal auditors replied their agreement that the policies and procedures to guide the IAA's are established but in general the mean value 3.2 shows that the quality level in this aspect is still inadequate.

5.3.3. Poor conformance with mandatory guideline requirements (Average mean less than 3)

- ✓ In accordance with the audit charter the results reveal that the majority of the respondents, possessing on average 48% disagreement, that the purpose, authority and responsibility of the IAA's defined in the charter, periodical review and approval of the charter and the core principles, code of ethics and the standards were recognized in the charter. This result is also supported by an average mean value of 2.5.
- ✓ The majority of the respondents in the five star hotels internal audit practices quality level in respect of the attribute standards is weak. The internal auditors are not free from intervention of others in performing their duties and they are biased. Most of the hotels are sole traders and the involvement of owners is very high even in some of the hotels formed as private limited companies the majority of the shares are held by one or two of the shareholders so that the majority of the decisions are done by the owner which has a direct impact on the performance of internal auditors in the five star hotels.
- ✓ Most of the internal auditors in the five star hotels have not BOD. Even though some of the hotels have BOD almost all of the internal auditors CAE is not reported to the board. Traditionally the internal audit department reports to General Managers but this is against organizational independence which is one of the attribute standards. The interaction of internal auditors with the BOD is also very poor.
- ✓ With regard to quality assurance and improvement programs the CAE in the five star hotels is not good. The internal auditors are involved in routine tasks like vouching documents and checking the correctness of figures. They are not involved in improving

the services provided in the hotels like room services, restaurant services and other hotel services whether they are provided according to the standards set to the five star hotels or not. In disclosing the nonconformance with code of ethics or the standards impacts to the senior management and the board the role to CAE is weak.

- ✓ In managing the IAA's 30% of the respondents agreed that the CAE effectively manages the internal audit activities and adds value to the organization but the mean value 2.9 indicate that the CAE quality level in this aspect were poor.
- ✓ From the overall results from performance standards like communication and approval which the CAE communicate the IAA's plans and resource requirements to senior manager and board for review and approval is weak. To achieve the approved plans the resources for the internal audit are not appropriate, sufficient enough and are not effectively deployed. According to Urton L.Anderson 2017; an organization cannot achieve its objectives and sustain success without effective risk management, control, and governance processes. As per the result the governance and risk management in the internal audit practice in the five star hotels is poor. Engagement planning and planning the quality level in the internal audit practice in the five star hotels is also weak.
- ✓ From the result it can be conclude that in the five star hotels the management did not take timely corrective action, not enforced the internal audit system to be effective and have not commitment to strengthen the internal audit department. In addition to this the auditees are not highly cooperative with the internal auditors, the auditees have not positive attitude and internal auditors have not full access to get information from auditee in the five star hotels in Addis Ababa.

5.4. Recommendations

The focus of this research is assessing the internal hotel practice based on the mandatory guidelines of IPPF in the hotel industry the case of five star hotels. Based on the findings and conclusions the researcher recommends the following helpful points to the five star hotels (the organization) in general and internal audit department of the five star hotels in particular.

- ✓ The internal audit department of the five star hotels needs to have internal audit charter which the IAA's formally defined purpose, authority and responsibility. And also the mandatory nature of the core principles, the code of ethics and the standards are recognized. This audit charter should be periodically reviewed and presented to senior management and the board for approval.
- ✓ The internal audit activity should be leaved to the internal audit department. It is recommended that the internal auditors be free from any intervention. It is suggested that the direct intervention of the shareholders and owners in this regard be minimized.
- ✓ It is better to the five star hotels shareholders or owners to organized neutral BOD that play intermediary role between the management and the internal auditor of the organization.
- ✓ It is recommended that the CAE involved in the quality assurance and development in the five star hotels. There are standards set for the five star hotels in respect of service qualities (Room Service qualities, Food service qualities and other service qualities) that the internal auditor need to know and check the conformance level according to the standards.
- ✓ After the audit findings it is recommended that the CAE should disclose nonconformance with any standards to the senior management and the board periodically.
- ✓ It is suggested that the CAE communicate the IAA's plan, resource requirement including interim changes to senior management and the board to strengthen the internal audit department so that to attain the objective of the hotel in general and the internal audit department in particular.
- ✓ Appropriate and sufficient resources should be deployed to achieve the approved internal audit plan in the five star hotels.
- ✓ It is recommended that the audit reports should be done periodically by the internal audit department to the BOD to take appropriate measures on time.

- ✓ To improve the organizations governance and risk management the internal audit activity should assesses and make appropriate recommendations.
- ✓ The internal audit activity should be guided by plan so that the researcher recommended that the CAE should make plans and follow the plans are implemented accordingly.
- ✓ For the successes of the hotels the management need to take timely corrective action for audit findings.
- ✓ The management of the hotels should support the internal audit department by enforcing the internal audit system.
- ✓ The awareness level of the auditee in internal audit practice is poor so that it is recommended that the CAE together with its staffs and the management of the hotel create environments to escalate their awareness level.
- ✓ In the changing world and continuous auditing era the internal auditors in the five star hotels expected to use software to go with the advancement.

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ANNEXES

Annex-1: Questionnaire

St. Mary's University School of Graduate Studies Questionnaire

Dear Respondent,

I am conducting a research under the title of Assessment of Internal Audit Practice in the Hotel Industry: The case of selected four and five star rated hotels in Addis Ababa. This questioner will be distributed for those selected hotels internal auditor. The researcher believes that this research will contribute its part for this industry. In this regard your participation is very important in responding the questioner attached with this letter. The researcher also strongly believe that your response is based on merit and your contribution to the research is priceless.

The study being conducted is as part of the undersigned researcher's study for the Degree of Master of Business Administration in Accounting and Finance at St. Mary's University. The results of the study are expected to contribute to the understanding of internal audit practices in the hotel industry in Addis Ababa and as well add value to the development of the profession in Ethiopia.

I would like to guarantee you that the information you provide will be treated as strictly confidential and your participation in this study is greatly valuable.

Please note that there is no need of writing your name on the questionnaire.

Thank You for your cooperation and valuable contribution towards the success of this research exertion.

Your honest and thoughtful responses are highly appreciated.

Yours faithfully,

Terefe Amare

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Addis Ababa, Ethiopia

A. Demographic Background:

General instruction: Please identify your choice by putting “√” mark in the box or supply the required information where, required, please specify and elaborate.

1. Gender: Male
Female
2. Age: Less than 30 years 30-40 years 41-50 years
 51-60 years greater than 60 years
3. Educational Background?
 Diploma
 Bachelor's Degree
 Master's Degree
 Other(please specify)-----
4. Any certification related to the profession:
 ACCA CPA CIA Other(Please specify)-----
5. Total years of work experience:
 < 3 years 3 to 6 years 7 to 12 years 13 to 15 years above 15
years
6. Years of work experience in the company you are currently working:
 1 year 2 years 3 years 4 years 5 years above
7. Your Qualification:
 Accounting Management Marketing Other(Please specify)-----
8. Your current positoin: -----

B. Questions on internal Audit practice

There are two types of questions below. The first type is the scale rating close end questions and the second one is open end questions.

1. Scale rating close end questions

For the following scale rating questions please indicate the extent to which you Agree or dis-Agree with each of the statements by “√” mark only once for one questions, where; 1= Strongly Dis-Agree, 2=Disagree, 3=Neutral, 4=Agree, 5= Strongly Agree.

S.No.		Questions	Scale rating				
			1	2	3	4	5
1. Statement about audit charter							
Q1.1		Internal audit activity's purpose, authority, and responsibility are formally defined in an internal audit charter.					
Q1.2		Internal audit charter is periodically reviewed and presented to senior management and the board for approval.					
Q1.3		The mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing are recognized in the charter.					
2. Statement about the Code of Ethics							
Q2.1	Integrity	The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.					
Q2.2	Objectivity	Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.					
Q2.3	Confidentiality	Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.					
Q2.4	Competency	Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.					
Q2.5		The internal audit activity complies with the IIA's standards.					

3. Statement about the Attribute Standards					
Q2.6	Independence and Objectivity		Internal auditors are free from intervention of other in performing of their duties and they are unbiased.		
Q2.7	Proficiency		An internal auditor has competent skills and experience in different areas to perform their duties.		
Q2.8	Due Professional Care		Internal auditors apply the care and skill expected of a reasonably prudent and competent internal auditor.		
Q2.9	Organizational Independence		The chief audit executive report functionally to the board.		
Q2.10	Direct interaction with the Board		The chief audit executive communicate and interact directly with the board		
Q2.11	Individual Objectivity		Internal auditors have an impartial, unbiased attitude and avoid any conflict of interest.		
Q2.12	Quality Assurance and Improvement Program		The chief audit executive develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.		
Q2.13	Disclosure of Nonconformance		The chief audit executive disclose noneconformance with code of ethics or the standards impacts to the senior management and the board		
4. Statement about the Performance Standards					
Q2.14	Managing the Internal Audit Activity		The chief audit executive effectively manages the internal audit activity to ensure it adds value to the organization.		
Q2.15	Communication and Approval		The chief audit executive communicates the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.		
Q2.16	Resource Management		Internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan		
Q2.17	Policies and procedures		Policies and procedures to guide the internal audit activities are established		
Q2.18	Reporting to Senior Management and the Board		Reports are done periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan and on its conformance with the Code of Ethics and the Standards		
Q2.19	Governance		The internal audit activity assesses and make appropriate recommendation to improve the organization's governance process.		

Q2.20	Risk management		The internal audit activity evaluates the effectiveness and contributes to the improvement of risk management processes.					
Q2.21	Engagement planning		There is a developed and documented plan for each engagement which includes engagement's objectives, scope, timing, and resource allocations					
Q2.22	Planning		Internal audit completes its tasks as intended plan.					
5. Statement about Management cooperation and Challenges								
Q3.1			Based on the report of internal audit the management takes timely corrective action.					
Q3.2			The response of management to the reported audit finding is too important.					
Q3.3			The management enforced the internal audit system to be effective.					
Q3.4			There is a higher management commitment to strengthen the internal audit department.					
Q3.5			There is low readiness of auditee to take the corrections that are given by the internal auditor.					
Q3.6			The auditees are highly cooperative with the internal auditor.					
Q3.7			The auditees have a positive attitude to the internal audit department.					
Q3.8			Internal auditors have full access to get the information they needed from Auditee					
6. Statement about internal Auditors updating their knowledge								
Q4.1			Internal auditors are well active to the new/refined proclamations issued from any government body.					
Q4.2			Internal auditors have large enough knowledge to the new financial reporting system (IFRS).					
Q4.3			There is a trend of using soft-ware to facilitate internal audit activity.					

2. Open end Questions

The below questions are open end questions that allows you to give your opinion. Please give your answer in short based on your real experience.

1. Your opinion in the internal audit practice of your organization?

2. What do you know about IIA of Ethiopia(Institute of Internal Auditors of Ethiopia)?

3. Is there anything to be improved in the internal audit practice in your organization?

4. What challenges are you facing in implementing the mandatory guidelines of IPPF?

5. If you have any additional note regarding the topic, please specify

Annex-2 LIST OF 5 AND 4 STAR HOTELS IN ADDIS ABABA

(Source: Addis Ababa Administration Culture and Tourism Office, 2019)

No	Name of Hotel	Star	No. of Rooms	No. of Beds
1	Sheraton Addis Hotel	5	294	323
2	Capital Hotel	5	114	114
3	Elilly International Hotel	5	155	163
4	Marriot Executive Hotel	5	108	128
5	Radison Blue Hotel	5	114	128
6	Golden Tulip Hotel	5	90	115
7	Gatefam Hotel	5	115	130
8	Hayat Regency	5	288	
9	Skylight Hotel	5	373	
10	Debredamo Hotel	4	102	102
11	Dreamliner Hotel	4	96	110
12	Friendship Hotel	4	104	104
13	Harmony Hotel	4	150	176
14	Intercontinental Hotel	4	151	190
15	Jupiter International Hotel(Kazanchis)	4	102	112
16	Jupiter International Hotel(Bole)	4	40	52
17	Momona Hotel	4	60	80
18	Nazra Hotel	4	24	27
19	Nexus Hotel	4	66	66
20	Saromatia Hotel	4	87	87
21	Sarem International Hotel	4	43	62
22	Washington Hotel	4	70	85
23	Tegen Guest Accommo. Hotel	4	32	64
24	Ramada Addis	4	136	156
25	Sapphires Addis	4	129	136
26	Azzeman Hotel	4	80	104
27	Nega Bongor Hotel	4	120	144
28	Best Western Plus	4	160	172
29	Magnolia Hotel	4	86	98