AN ASSESSMENT OF INTERNAL AUDIT PRACTISE IN CASE OF LION INSURANCE S.C

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CHAPETER ONE

INTRODUCTION

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

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

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

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

The purpose, authority and responsibility of the internal audit activity should be defined formally in charter, consistent with the standards and approved by the audit committee. The function should be independent and internal auditors should be objective in performing their work. In addition, all internal audits should be performed with proficiency and due professional care.

In line with this, the main issue of this study was to evaluate internal audit service as an important part of the overall internal audit activities in Lion Insurance Company (SC). Hence, when we were conducting this study the researcher found some weakness and defects that need special attention in order to minimize the risk. Some of the weakness is having a large amount of outstanding claim, increasing operating cost and staff handling. The internal auditors need reasonable assurance that the accounting system follows national or international standards for the professional practice of internal auditing. So the researchers believe that this research respond and answer key point of internal audit.

1.2 Background of the organization

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

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

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

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

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

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

Some of the directives of the company are set to control and manage the operational activities specially the credit policy and operational cost of the concerned units or organs of the company. On the other hand, some failures are being observed in the general operation of the company. (LIC Annual report 2012/13) The outstanding claim balance of the company is increasing. This increment is un-proportionate with the increment of the total underwriting premium. Similarly, the general operating cost of the company is also increasing. It seems it is exaggerated when compared with the annual underwriting result of the company. The other one is the number of staff termination within the budget year is around 52% from newly employed. Such problems may arise either due to absence of appropriate directives, rules or due to failure of the application of directives.
The company has auditing section which is assumed to regularly follow and check as to whether the directive and the rule are in there place and being appropriately applied. So far, no report of the auditing section indicates the causes of the problems. These enforced the researchers to suspect whether the activity of audit section are in their place and discharging their responsibility of auditing efficiently and effectively. (LIC; Annual Report: 2009-2011) Therefore, this paper will intended to study the internal audit of LIC by using the elements; the risk faced information and communication, the control law and the degree of compliance with the rules and regulations. In general, the researchers believes that the research paper answer the basic question that must be answered. Such as

1.4 Research Questions

1. How effective is the internal audit in assessing the risk faced by Lion Insurance Company?

2. How effective is the internal audit in looking the information and communication practice of Lion Insurance Company?

3. How effective is the internal audit in assessing the control role of Lion Insurance Company?

4. How effective is the internal audit in ensuring the degree of compliance with rule and regulation

1.5 Objective of the study

1.5.1 General Objective
The general objective of this study was on assessment of internal audit practice in the case of Lion Insurance Company (SC)

1.5.2 Specific Objective
The specific objectives of the study that are answered by the researchers are

1. Evaluate the internal audit in assessing the risk faced by the Lion Insurance company.
2. Evaluate the internal audit in looking the information and communication practice of Lion Insurance Company.

3. Evaluate the internal audit in assessing the control role of Lion Insurance Company.

4. Evaluate the internal audit in ensuring the degree of compliance with the rules and regulations.

1.6. Significance of the study

Since this study is supposed to identify internal control practice

- It provides valuable information on Lion Insurance company internal audit practice performance to the Company top management, outsiders and to stakeholders.
- Identifying major problems in auditing procedures and day to day practices,
- To show the strength and weakness of the current internal auditing systems, policies procedures rules and regulations
- Suggest modern approach for risk prevention
- It would be a reference material for anyone who want to conduct a research in the same area or related topics
- It indicate the company to come up with best quality service and control methods
- It helps the researchers to have common understanding and knowledge for further study in insurance area in the future.
- It help the researchers how to implement the theoretical lesson in to practice
- The research help researchers to full feel their required grade in bachelor of art
1.7. Scope of the study
This study would be better if it were conducted widely to overall the insurance companies in the country to come up with more ideas. But due to various constraints the study had been conducted and analyzed on a single Insurance company of LION. This research was not examining the performance of other products or services offered by the insurance company apart from the assessment of internal audit practice. This study also conducts some customers and staffs that are related with the study in order to represent the total population.

1.8. Research Design and Methodology

1.8.1 Research Design
This research was design in identify and answer the problem that is found by the researchers through different types of data collection methods to different groups of individual with different experience and position. Then analyzing and interpreting the data to achieve finding conclusions and recommendations. Therefore, among various types of research design we use stratified random sampling methods because the population embraces a number of distinct categories. Hence the researchers get a clear picture of the phenomena from the study. This research assesses internal audit practice of the Lion Insurance company

1.8.2 Types of Data
This study use both primary and secondary data sources.
Primary Data: - Collected through questioners open ended that enable the respondent to respond what they have, observation and personal interview both structured and unstructured.
Secondary Data: - Collected from different documents, paper, websites, directives, manuals and report prepared by the institution and others.
We the researcher believes that both methodology of gathering data is very important to get the necessary required information from internal users and external users to make our conclusion and recommendation at least to be near to
correctness. Therefore this study will help other stockholders to have a good understanding and knowledge for better reference.

1.8.3 Methods of Data Collection
Primary data obtained using questionnaires, interview with the department head and manager of the selected pilot branch and observations. Questionnaires were distributed to various stockholders of the company. Secondary data source such as the company audit evaluation report, company internal audit charter, manuals, articles, journals and other documents relevant to the study were reviewed and observed.

1.8.4 Population size and sample Technique
The target population for the research was 40 employees and the sample size was to be 35 employees of Lion insurance company in the head office and one pilot branch. The selection of the sample was judgmental method for the study. The reasons for this is especially those staff members are directly or indirectly involved in the internal audit activity of the company, and they were participate in the study as respondents to the questionnaire.

1.8.5 Data Analysis Methods
The data has been arranged the collected data as per the questions in the questioner and organizing in to tabular form and applying percentage to show some variation and for simplicity the researchers used graphic representation. This help to interpret to what extent of internal audit practice of the company is performed and easy understanding for stockholders.

1.9. Limitation of Study
- Some of concerned parties where not willing to cooperate with the researchers.
- Difficulty of find related research papers with this topic
- Confidentiality of some information
- Coordination between researchers to conduct the study
Some of the distributed questioners was not fully answered and respond

1.10. Organization of the Study

This study was organized in four chapters. The first chapter introduce all about the Background of the study, Organization, statement of the problem objective of the study, significance of the study, scope of the study and research design and methodology. The second chapter was concerned with presenting the review of the related literature, the third chapter deals with data presentation and analysis. The fourth and the last chapter end with summary, recommendation and conclusion.
CHAPTER TWO

REVIEW OF RELATED LITERATURE

Internal Audit-Historical Perspective

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

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

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

**Why Internal Control Is Important?**

Senior executives have long sought ways to better control the enterprises they run. Internal controls are put in place to keep the company on course toward profitability goals and achievement of its mission, and to minimize surprises along the way. They enable management to deal with rapidly changing economic and competitive environments, shifting customer demands and priorities, and restructuring for future growth. Internal controls promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations. Because internal control serves many important purposes, there are increasing calls for better internal control systems and report cards on them. Internal control is looked upon more and more as a solution to a variety of potential problems. (Pickett; 2002)

A company’s system of internal control has a key role in the management of risks that are significant to the fulfillment of its business objectives. A sound system of internal control contributes to safeguarding the shareholders’ investment and the company’s assets. Internal control facilitates the effectiveness and efficiency of operations, helps ensure the reliability of internal and external reporting and assists compliance with laws and regulations. The primary purpose of an internal control system is to enable directors to drive their companies forward with confidence, at an appropriate speed and direction, in both good and bad times. The secondary, but no less important purpose is to safeguard resources and ensure the adequacy of records and systems of accountability. The management process of every company includes an internal
control system. If the internal control system is ineffective the management process will also be ineffective

**Definition, Functions and Responsibilities of Internal Audit**

**2.1 Definition**

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

The starting place for internal audit theory is the definition of internal audit. A standard definition is made up of important issues that form the basic framework of internal audit principles. The divergence of interpretation of the audit role is explored in terms of the way we may in practice move away from the standard definition. Internal auditing is performed in a variety of ways, each with its own approach and style. Accordingly it is important that of formal definition is devised and agreed since it will have impact on the perceived role of audit function. According to the Institutes of Internal Auditor’s (IIA) internal auditing is defined as ‘An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Pickett; 2002)

This definition recognizes two roles for internal audit: to provide an independent assurance service to the board, audit committee and management, focusing on reviewing the effectiveness of the governance, risk management and control processes that management has put into place; and to provide advice to management on governance risks and controls, for example, the controls that will be needed when undertaking new business ventures.
According to (Daykin; 2006) an internal control system encompasses the policies, processes, tasks, behaviors and other aspects of a company that, taken together:

- Facilitate its effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the company’s objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed. (Daykin; 2006)

- Help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organization.

- Help ensure compliance with applicable laws and regulations, and also with internal policies with respect to the conduct of business.

2.2 Internal Audit Functions

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

2.2.1 Objective and Scope

Internal Auditing is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the
effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost. The members of the organization assisted by internal auditing include those in management and the board of directors. (Haward; 1992)

The scope of internal auditing should encompass the examination and evaluation of the adequacy and effectiveness of the organization’s system of internal control and the quality of performance in carrying out assigned responsibilities. Internal auditors should:

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

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

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

- Appraise the economy and efficiency with which resources are employed.

- Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned. (Haward; 1992)

- Serving on task forces and project teams that analyze and develop systems of operations.
• Facilitate self-assessments to help departments identify objectives and evaluate business risks and controls as a means of assisting departments with ongoing risk management.

• Performing consulting services where necessary and appropriate. (South Carolina state University office of internal audit, 3)

2.2.2 Verification

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

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

2.2.3 Evaluation

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

- Evaluation of internal control from the standpoint of how well the accounting system provides for information that is adequate and accurate, protection of resources of the business from losses due to theft, embezzlement, or carelessness. Control over all phases of operations.

- Evaluation of clerical and accounting efficiency from the standpoint of effectiveness of procedures, utilization of space, and adequacy of personnel.

- Evaluation of overall performance of various operating departments from the standpoint of plan of organization, policies in effect, procedures being followed. Individual performance (Pickett K.H.S; 2002)

### 2.2.4 Compliance

Superior policies, procedures, or controls are of no value unless they are carefully followed in practice. Thus, once the internal auditor has evaluated a given plan of organization and operation, he will endeavor to ascertain whether the planned program is actually being carried out in practice. The techniques range from inquiry and observation to examination of the records and reports prepared and proof of completed work to establish that the work has been properly performed. The compliance activities of internal auditor are particularly important in companies with extensive branch operations. (Haward; 1992)

### 1.3 Responsibility and Authority

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

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

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

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to The Executive (audit) Committee for review and approval, as well as periodic updates.

- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by university management and the Executive (audit) Committee.

- Coordinate and provide support and oversight of all external auditors and regulators. Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the university at a reasonable overall cost.
• Assist in the investigation of suspected irregularities or fraudulent activities impacting the university and provide necessary reporting to university management and to The Executive (audit) Committee.

• Provide reports to The Executive (audit) Committee and to university management to communicate the final results of audits and reviews performed.

• Provide quarterly and annual status reports to The Executive (audit) Committee and to university management summarizing outstanding issues related to audit and review activities.

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

1.3.1. Independence

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

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

The Standards for the Professional Practices

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

In such a case, if inconsistencies exist between the Standards and other standards, internal auditors and the internal audit activity must conform with the Standards, and may conform with the other standards if they are more restrictive.

The professional standard for the Professional Practices of Internal Auditing (the SPPIA) describes the overall systems of control as “the integrated collection of control systems developed by the organization to achieve its objectives and goals”. At the guideline 300.05 the SPPIA states the primary objective of internal controls is to give managers reasonable assurance that (Simmons; 2003)

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

The elements of internal auditing therefore consist of:

- Appraising the reliability and integrity of financial and operating information by evaluating the means developed by management to identify, classify, measure, and report such information. (Ibid)
- Appraising the systems management has established to ensure compliance with policies, plans, procedures, laws and regulations that could have a significant impact on operations and reports, and determining whether the organization is in compliance. (Ibid)

- Appraising the means management has established to safeguard assets, and, as appropriate, verifying the existence of such assets. (Ibid)

- Appraising the systems management has established to ensure economical and efficient use of resources. (Ibid)

- Appraising the systems management has established to ensure results are consistent with established objectives/goals and operations or programs are carried out as planned. (Ibid)

- When we combine the definition of internal control with the scope of internal auditing, five possible audit objectives emerge regarding how managers plan, organize and direct activities. Internal auditors seek to answer one or more of the following questions: (Ibid)

  - To controls over financial and operating data provide managers with reasonable assurance that the financial and operating data is accurate and reliable (Ibid)

  - To controls over compliance with policies, procedures, plans, laws and regulations provide managers with reasonable assurance that proper compliance actually occurs. (Ibid)

  - To controls over assets provide managers with reasonable assurance that assets exist and are protected against loss that could result from theft, fire, improper or illegal activities, or exposure to the elements. (Ibid)

  - To controls over operations provide managers with reasonable assurance that resources are used efficiently and economically? (Ibid)
To controls over operations and programs provide managers with reasonable assurance that the operations and programs are being carried out as planned, and that the results of operations are consistent with established goals and objectives. (Simmons; 2003)

The purpose of the *Standards* is to:

1. Delineate basic principles that represent the practice of internal auditing.
2. Provide a framework for performing and promoting a broad range of value-added internal auditing.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organizational processes and operations. (South Carolina state University office of internal audit, 2003)

**Assessment of internal audit department**

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

A. The internal audit manager is independent of the chief financial executives, is free of any other operating responsibility and report direct to chairman of the board of executive officer. (Ibid)

B. Those section of internal audit programmed which are relevant to the external audit are comparable to those that would have been used by the external auditor, particularly with regard to the scope and level of test. (Ibid)

C. Work done is evidenced by well prepared work papers, as appropriate, dated
And initiated, detailing items select for taste and conclusions reached from the test. (Ibid)

The points discussed above will assist in determining the extent to which the external auditor may give cognizance to the work of internal auditor. (Bigg & Divies 1986)

**Conflict in Internal Auditing**

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

**Code of Ethics**

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

- By acting with integrity, internal auditors establish trust and provide the basis for reliance on their judgment. Internal auditors perform their work honestly, observing the law, while contributing the legitimate and ethical objectives of the organization.
• Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communication information. Internal auditors make a balanced assessment of all relevant circumstances and are unduly influenced by their own interests or by others. Internal auditors avoid activities and relationships that might be seen to undermine their objectivity.

• Internal auditors respect the values and ownership of information they receive and do not disclose information without appropriate authority, unless there is a legal or professional obligation to do so. Internal auditors should use information prudently and not for their personal benefit.

• Internal auditors apply the knowledge, skill, and experience needed for their role. They perform their work in accordance with the standards and engage in counting professional development. (Ibid)

The Audit Charter

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

Role of the Audit Charter

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

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

The audit objectives

The precise definition of internal audit should be set out. This will be in formal words and include references to the objectives of internal audit. There should be a clear link into organizational objectives and the way that the internal audit role contributes to these. The consultancy-based services from internal audit should be specifically provided for. It may be possible to use the formal definition of internal audit applied by a professional auditing body such as the institute of Internal Auditors or chartered institute of Public Finance and Accountancy (CIPFA).

The Scope of Audit Work

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

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with laws, regulations, and contracts (Ejige; 2003, Mulugeta ,2008)
Audit’s Responsibilities

It is important that the role of internal audit is clearly set out and that this is distinguished from management’s responsibilities. For each of the components of the scope of audit (see above) the expectation of audit’s role should be defined. This will include the audit role in respect of coverage of fraud, compliance matters and value for addressing these matters while audit would review the risk management, control and governance systems that ensure these objectives are achieved. It is possible to provide further detail by outlining internal audit’s duty to prepare plans and undertake the required work to professional auditing standards. (Ejige; 2003, Mulugeta, 2008)

Audit’s Authority

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

Outline of Independence

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

Risk Management

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

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

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

The risk management must evaluate risk exposures relating to the organization’s governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

The Development of Internal Audit in Ethiopia

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

Internal auditing in Ethiopia obtained legal recognition for the first time in 1987 through Proclamation No. 13/1987. This proclamation empowered Office of Auditor General(O.A.G.) to direct the Internal Auditors of Government Offices and Public Enterprises in three aspects that are whether accounting records are properly maintained and reliable, whether the assets of the ministries and enterprises are adequately safeguarded and properly maintained; and whether policies and procedures laid down by top officials/management are complied with that implies less attention was given to operational audit as a service to management. In 1994 the civil service reform program organized a task team that was formed by Prime Minister to assess and review the performance of Civil Service and come with the following findings: absence of Internal Audit functions in some of the Ministries and Public enterprises, internal auditors devoted most of their times and efforts on pre-audit, internal auditors neither have the skills needed nor working manuals. (W/Giorgis; 1998)

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

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

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

The student researchers have been distributed questionnaires to 40 workers of different departments. Out of these questionnaires, 35 (87.5%) of them were properly filled and returned while the remaining 5 (12.5%) of them were not collected. The responses obtained from the respondents are analyzed as follows;

3.1 Summary of the Respondents profile

<table>
<thead>
<tr>
<th>Item</th>
<th>Particular</th>
<th>Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>1</td>
<td>Sex</td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>2</td>
<td>Academic status</td>
<td>Certificate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Diploma</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Degree</td>
</tr>
<tr>
<td></td>
<td></td>
<td>M.A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
</tr>
</tbody>
</table>

Source (primary data)
As can be seen from table 1, item No 1. The respondents are 35 in number, out of which 23 (65.7%) of the respondents are male and the rest, i.e. 12 (34.3%) are female. In the same table item No 2 shows the Academic status of staff showing 31 (88.6%) are Degree holders and 2 (5.7%) are M.A. holder and the rest 2 (5.7%) are diploma holders. This means that most of the employees of the organization are degree holder.

**Table 2 Work Experience and Position/Responsibility**

<table>
<thead>
<tr>
<th>Item</th>
<th>Particular</th>
<th>Respondent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>1</td>
<td>Work experience</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Below 5 years</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>5-10 years</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>11-15 years</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Above 15 years</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>35</td>
</tr>
</tbody>
</table>

Source; (primary data)

As can be seen from table 2 item No 1 related with work experience 32 (91.4%) of the respondents are below 5 years of work experience, 3 (8.6%) of the respondents are with work experience in the range of 5-10 years. As can be seen from the above data, the student researchers’ can get good information from the respondents because majority of them are experienced.

3.2.1 The internal auditor’s identification of the problem areas

Areas of interest are determined by leadership with recommendations from all departmental areas within the company including finance, accounting, operations, and sales and marketing. Risk and audit opportunities are often cyclic and arise within the same department or procedure repeatedly over time, often for varying reasons.
**Table 3 The Internal Auditor’s Identification of the Problem Areas**

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Activities of the company internal auditors on identification of problem areas and delays?</td>
<td>7(20%)</td>
<td>5(14.3%)</td>
<td>13(37.2%)</td>
<td>6(17.1%)</td>
<td>4(11.4%)</td>
<td>35(100%)</td>
</tr>
</tbody>
</table>

*Source; (primary data)*

As can be seen from the above table 13(37.2%) of the respondents rate auditor identification of problem areas and delays as adequate, 7(20%) respondent rate very strong, 6(17.10%) of the respondent rate needs improvement, 5(14.3%) of the respondent rate strong while the remaining 4(11.4%) rated it as poor. From this, it is easy to point auditor’s ability to identify problem areas as strength of the department. This implies that the activities of internal auditors of the company give due emphasis on the identification of problem areas and delays properly by giving equal attention for all activities.

### 3.2.2 Assessing the Risk of the Internal Auditors

Internal controls promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations. Because internal control serves many important purposes, there are increasing calls for better internal control systems and report cards on them.
As can be seen from Table 4 above, 18 (51.4%) of the respondents rated the auditors' effectiveness in assessing the risk the company faces as adequate, 10 (28.6%) of the respondents rated it as need improvement, 4 (11.4%) rated it as strong, while the remaining respondents, i.e., 3 (8.6%) rated it as very strong. The data collected highlight the department's strength in assessing the risks and uncertainties faced by the company. Based on this, the internal auditors assess problems and predict future risk to prevent when it occurs.
3.2.3 The Comprehensiveness of the Internal Audit Plan

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

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

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

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

- Appraise the economy and efficiency with which resources are employed.

Review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
As can be seen from table 5, 16 (45.7%) of the respondents rated the comprehensiveness of audit plan as adequate, 13 (37.2%) of the respondents rated needs improvement while the remaining 6 (17.1%) respondents rated it as strong. Based on the data collected it can be said that the audit plan is weak in all rounded incorporating different aspects of LIC. This implies the fact the internal auditor’s should have to build their capacity to plans and incorporate the whole activities performed in the company.

**Table 5: The comprehensiveness of the internal audit plan**

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>N (%)</td>
<td>N (%)</td>
<td>N (%)</td>
<td>N (%)</td>
<td>N (%)</td>
<td>N (%)</td>
</tr>
<tr>
<td>1</td>
<td>Quality of internal audit plan in terms of comprehensiveness?</td>
<td>0 (0%)</td>
<td>6 (17.1%)</td>
<td>16 (45.7%)</td>
<td>13 (37.2%)</td>
<td>0 (0%)</td>
<td>3 (5%)</td>
</tr>
</tbody>
</table>

**Source:** (primary data)
3.2.4 The Clarity of the Internal Audit Activity

It is important that the role of internal audit is clearly set out and that this is distinguished from management’s responsibilities. For each of the components of the scope of audit the expectation of audit’s role should be defined. This will include the audit role in respect of coverage of fraud, compliance matters and value for addressing these matters while audit would review the risk management, control and governance systems that ensure these objectives are achieved. It is possible to provide further detail by outlining internal audit’s duty to prepare plans and undertake the required work to professional auditing standards.
### Table 6 The Clarity of the Internal Audit Activity

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Quality of internal audit in terms of clarity?</td>
<td>2 (5.7%)</td>
<td>8 (22.9%)</td>
<td>19 (54.3%)</td>
<td>6 (17.1%)</td>
<td>0 (0.00%)</td>
<td>35 (100%)</td>
</tr>
</tbody>
</table>

**Source:** (primary data)

The above table highlights the strength of the department in terms of clarity as most of the respondents, i.e., 19 (54.3%) rated it as adequate, 8 (22.9%) rated as strong, 6 (17.1%) rated as needs improvement while the rest 2 (5.7%) rated as very strong. This shows that the internal auditors clearly distinguish between tasks and responsibilities during their activity.

#### 3.2.5 The Activity of Internal Auditors on Coverage of the Priority Area

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

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
Table 7 The Activity of Internal Auditors on Coverage of the Priority Area

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>1</td>
<td>Quality of internal audit in terms of coverage of priority area?</td>
<td>3 8.57 %</td>
<td>3 8.57 %</td>
<td>15 42.85%</td>
<td>14 40 %</td>
<td>0 0 %</td>
<td>35 100 %</td>
</tr>
</tbody>
</table>

Source: (primary data)

Table 7 shows present quality in terms of coverage. The data collected shows the quality to have been rated as very strong 3(8.57%). From this it can be said that the internal audit department performs its tasks with due focus on critical areas. Those respondents 3 (8.57%) said strong in terms of coverage of priority area while rest 15(42.85%) and 14(40%) of the respondents said adequate and needs improvement respectively. This implies the fact the majority of the respondents believes on the quality of internal auditors in terms of coverage of the priority area. This implies the fact that the activities of the internal auditors give priority for the reliability and integrity of financial and operational information, effectiveness and efficiency of operations and on the safeguarding of assets. In another angle based on the respond we gathered it needs some improvement on the quality and priority of audit area.

3.2.6 The Plan of Internal Audit in Terms of Time Line

Operations and programs provide managers with reasonable assurance that the operations and programs are being carried out as planned, and that the results of operations are consistent with established goals and objectives within the time line of the plan.
Table 8  The plan of internal audit in terms of time line

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improveme nt</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N o (%)</td>
<td>N o (%)</td>
<td>N o (%)</td>
<td>N o (%)</td>
<td>N o (%)</td>
<td>N o (%)</td>
<td>N o (%)</td>
</tr>
<tr>
<td>1</td>
<td>Quality internal audit plan in terms time lines?</td>
<td>2 (5.7%)</td>
<td>1 (2.9%)</td>
<td>23 (65.7%)</td>
<td>7 (20%)</td>
<td>2 (5.7%)</td>
<td>35 (100%)</td>
</tr>
</tbody>
</table>

Source ; (primary data)

As can be seen from table 8 2 (5.7%) of respondents rated the timelines of internal audit plan is very strong, 1(2.9%) of the respondent rated strong, 23(65.7%) of the respondent rated adequate, 7(20%) of the respondent rated needs improvement while 2(5.7%) respondent rated poor time line. Based on the data collected it can be said, with reasonable level of assurance that there is a delay in the preparation of audit plan. This implies the fact that the activities of the internal auditors don’t perform with the timeline of their plan and quality of internal auditors in terms of coverage of the time lines needs improvement.
3.3.1 The Demonstration of Professionalism of the Internal Auditors

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

Table 9 The Demonstration of Professionalism of the Internal Auditors.

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>1</td>
<td>Activities of Internal auditors on the demonstration of professionalism?</td>
<td>4 (11.42%)</td>
<td>2 (72%)</td>
<td>19 (54.29%)</td>
<td>9 (25.72%)</td>
<td>1 (2.85%)</td>
<td>4 (100%)</td>
</tr>
</tbody>
</table>

Source; (primary data)

As can be seen from table 9 4(11.42%) of the respondents rated the internal auditors on the demonstration of professionalism in the audit area as very strong, 2(5.72%) of the respondent rated strong, 19(54.29%) of the respondent rated adequate. However, 9 (25.72%) of respondents rated the adequacy of the internal auditors on the professionalism in the audit area needs improvement while 1(2.85%) respondent rate poor. This implies the fact that the internal auditors perform with gathering, evaluating and communicating the information and this indicate internal auditors demonstrate through professionalism in the audit area.
3.3.2 The Demonstration of Constructiveness of the Internal Auditors

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

Table 10 The demonstration of constructiveness of the internal auditors

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Internal auditors on the demonstration of constructiveness (usefulness)?</td>
<td>4</td>
<td>11.43%</td>
<td>12</td>
<td>34.28%</td>
<td>14</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: (primary data)

As can be seen from table 10 Item 1 4(11.43%) of the respondents rated the internal auditors on the demonstration of constructiveness as very strong and needs improvement respectively. 12(34.28%) respondent rated strong, 14(40%) of the respondent rated adequate while 1(2.86%) of the respondent rated poor. Based on the data collected it can be said, the internal auditors did perform in preventing and detecting error, loss and reporting all violation in useful manner to the organization.
3.3.3 Information Evaluation of the Internal Auditors

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

**Table 11 Information evaluations of the internal auditors**

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>1</td>
<td>Internal auditors regarding his/her evaluation of information and communication?</td>
<td>4 11.43 %</td>
<td>15 42.86 %</td>
<td>12 34.2 %</td>
<td>3 8.57 %</td>
<td>1 2.86 %</td>
<td>35 100 %</td>
</tr>
</tbody>
</table>

Source: (primary data)
As can be seen from table 11 Item 1, 4(11.43%) of the respondents rated the internal auditors regarding their evaluation on information and communication as very strong, 15(42.86%) of the respondent rated strong, 12(34.2%) of the respondent rated adequate, 3(8.57%) of the respondent rated needs improvement. While the remaining 1 (2.86%) rated it as poor. Based on the data collected it can be said that, majority of the respondents believed the activity of the auditors on the evaluation of information as strong. This implies the fact that the internal auditors evaluate the gathered information based on knowledge.

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

### Table 12 Demonstration of Positive Approach of the Internal Auditors

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>1 Activity of Internal auditors on the demonstration of positive approach?</td>
<td>1 6%</td>
<td>7 20%</td>
<td>6 17%</td>
<td>10 28%</td>
<td>1 1%</td>
<td>3 31%</td>
<td>3 100%</td>
</tr>
</tbody>
</table>
**Source ;( primary data)**

As can be seen from table 12 Item 1 1(2.8%) of the respondent and 7 (20%) rated the internal auditors on demonstration of positive approach as very strong and strong. While 6 (17.14%) of the respondents rated internal auditors on demonstration of positive approach as adequate, 10(28.57%) of the respondent rated need improvement and the rest 11(31.43%) respondent rated poor. Based on the data collected majority of the respondents believe the internal auditors’ evaluation of the company’s control process lack positive approach. This implies the fact that the internal auditors evaluate all activities with violating the controlling process of the company.

![Demonstration of Positive Approach](chart.png)

### 3.3.5 Information Gathering Activity of the Internal Auditors

Internal auditors make a balanced assessment of all relevant circumstances and are unduly influenced by their own interests or by others when they exhibit the highest level of professional objectivity in gathering, evaluating and communication information. Internal auditors avoid activities and relationships that might be seen to undermine their objectivity.
**Table 13** Information gathering activities of the internal auditors

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Information gathering activities of the internal auditors</td>
<td>No (%)</td>
<td>No (%)</td>
<td>N (%)</td>
<td>No (%)</td>
<td>N (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td></td>
<td>Information gathering activities of the internal auditors</td>
<td>2 (5.71%)</td>
<td>7 (20%)</td>
<td>1 (45.72%)</td>
<td>4 (11.43%)</td>
<td>6 (17.14%)</td>
<td>3 (100%)</td>
</tr>
</tbody>
</table>

**Source; (primary data)**

As can be seen from table 13 2(5.71%) of the respondents rated the process of collecting sufficient and appropriate evidence as V. strong, 7(20%) of the respondent rated strong, 16(45.72%) of the respondent rated adequate while the remaining 4(11.43%) and 6(17.14%) rated as needs improvement and poor respectively. From this it can be said that internal auditors give a reasonable assurance based on sufficient and appropriate evidence. This implies the fact that internal auditors properly gather the information for accurate evaluation.
3.4.1 Assessing the Control Role of the Internal Auditors

Internal controls are put in place to keep the company on course toward profitability goals and achievement of its mission, and to minimize surprises along the way. They enable management to deal with rapidly changing economic and competitive environments, shifting customer demands and priorities, and restructuring for future growth. Internal controls promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations.

Table 14  Assessing the control role of the internal auditors
<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>1</td>
<td>The internal auditors’ evaluation of the company’s control process?</td>
<td>0.00 %</td>
<td>9.71 %</td>
<td>51.37 %</td>
<td>22.86 %</td>
<td>0 %</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Source:** (primary data)

As can be seen from table 14 item 1 9(25.71%) of the respondents rated the internal auditor’s evaluation of the company’s control process as strong. While 18 (51.42%) and 8(22.86%) of the respondents believed it to be adequate and need improvement respectively. Based on the data collected it can be said that majority of the respondents believe the company control process is remarkable. This implies the fact that the internal auditors evaluate the company’s control process based on objectives of the internal control is adequate to minimize the risk and loss that will be face.

**3.4.2 Improvement of the Company’s Control Process by the Internal Auditors**

Internal controls promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations. Because internal control serves many important purposes, there are increasing calls for better internal control systems and report cards on them. Internal control is looked upon more and more as a solution to a variety of potential problems.
### Table 15: Improvement of the Company’s Control Process by the Internal Auditors

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No</td>
<td>No (%)</td>
</tr>
<tr>
<td>1</td>
<td>The internal auditors on the continuous improvement of the company’s control process?</td>
<td>7 (20%)</td>
<td>2 (0%)</td>
<td>7 (20%)</td>
<td>2 (0%)</td>
<td>1 (37.14%)</td>
<td>8 (22.86%)</td>
</tr>
</tbody>
</table>

**Source:** (primary data)

As can be seen from table 15, 7(20%) of the respondents rated the internal auditors’ contribution on the continuous improvement of the company’s control process as very strong and strong, while 13 (37.14%) and 8 (22.86%) of them rated as adequate and needs improvement respectively. Based on the data collected, it can be said that majority of the respondent believe strongly that internal auditors have major roles on the continuous improvement of the company’s control process. This implies the fact that the internal auditors continuously improve the company’s control process.

#### 3.4.3 The Disruption of Daily Activities on Control System

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

### Table 16: The Disruption of Daily Activities on Control System
As can be seen from table 16 item 1 4(11.43%) of the respondents rated the controlling activities of the internal auditors on the disruption of daily activities as very strong, 3(8.57%) of the respondents rated as strong, 23(65.71%) of the respondents rated as adequate. While 5 (14.29%) rated it as needs improvement. The data indicated that majority of the respondents very strongly believe the internal auditors activity have a disruption on daily activities. This implies the fact that controlling system of the internal auditors disrupts the daily activity.

### 3.4.4 The Internal Auditors on Assessing the Problems and their Sources

Internal control is looked upon more and more as a solution to a variety of potential problems to deal with rapidly changing economic and competitive environments, shifting customer demands and priorities, and restructuring for future growth. Internal controls promote efficiency, reduce risk of asset loss, and help ensure the reliability of financial statements and compliance with laws and regulations. Because internal control serves many important purposes, there are increasing calls for better internal control systems and report.
As can be seen from Table 17 item 6(17.14%) of the respondents rated the controlling activities of the internal auditors on assessing the problems and their sources as very strong and strong respectively. While 12 (34.29%) and 11 (31.43%) of them rated it adequate and need improvement respectively. As the data indicated, majority of the respondents strongly believe that the activity of the internal auditors on assessing problems and their sources is good. This implies the fact that the internal auditor’s activity helps the company by avoiding the redundancy of problem.

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

Superior policies, procedures, or controls are of no value unless they are carefully followed in practice. Thus, once the internal auditor has evaluated a given plan of organization and operation, he will endeavor to ascertain whether the planned program is actually being carried out in practice. The techniques range from

<table>
<thead>
<tr>
<th>Item</th>
<th>The controlling activity of the internal auditors on assessing the problems and their sources</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>(%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No</td>
<td>No (%)</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td>6 17.14%</td>
<td>6 17.14%</td>
<td>12 34.29%</td>
<td>11 31.43%</td>
<td>0</td>
<td>35 100%</td>
</tr>
</tbody>
</table>

Table 17 The internal auditors on assessing the problems and their sources

Source; (primary data)
inquiry and observation to examination of the records and reports prepared and proof of completed work to establish that the work has been properly preformed. The compliance activities of internal auditor are particularly important in companies with extensive branch operations.

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

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Contribution of the internal auditors on the employees’ action in compliance with polices?</td>
<td>11 (31.43%)</td>
<td>13 (37.14%)</td>
<td>3 (8.57%)</td>
<td>7 (20%)</td>
<td>1 (2.86%)</td>
<td>3 (100%)</td>
</tr>
</tbody>
</table>

**SOURCE: (PRIMARY DATA)**

As can be seen from table 18 11(31.43%) of the respondents rated the contribution of the internal auditors on the employees action in compliance with policies as very strong. 13(37.14%) of the respondent rated as strong, 3(8.57%) of the respondent rated as adequate. while 7 (20%) and 1(2.86%) of them rated it as needs improvement and poor respectively. As the data indicated, majority of the respondents strongly believe on the internal auditors in compliance with the policy. This implies the fact that the employees of the company perform their task effectively and efficiently.

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

**Table 19 The Activities of the Internal Auditors on the Degree of Compliance with Rules and Regulations**

<table>
<thead>
<tr>
<th>Item</th>
<th>Evaluation of management audit relation</th>
<th>V. strong</th>
<th>Strong</th>
<th>Adequate</th>
<th>Needs improvement</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>The contribution of internal auditors on the employees’ action in compliance with applicable laws and regulations?</td>
<td>1(45.71%)</td>
<td>1(2.86%)</td>
<td>5(14.29%)</td>
<td>11(31.43%)</td>
<td>2(5.71%)</td>
<td>35(100%)</td>
</tr>
</tbody>
</table>

**Source:** (primary data)

As can be seen from table 19 16(45.71%) of the respondents rated the contribution of the internal auditors in compliance with rules and regulations of the company as very strong 1(2.86%) rated as strong, 5(14.29%) as adequate. While 11 (31.43%) and 2(5.71%) rated it as needs improvement and poor respectively. As the data indicated majority of the respondents strongly believe on
the contribution of the internal auditors in taking actions for the cases that deviate from rules and regulations of the company. This implies the fact that the internal auditor work hardly to secure the company laws and regulation.
CHAPTER FOUR

SUMMERY, CONCLUSIONS AND RECOMMENDATIONS

The findings which are found from the primary source of the study would be summarized, concluded and the research teams give their own recommendation in this chapter.

Summary of Findings

The findings of the primary data on the Lion insurance company internal auditor’s activities would be summarized as follows.

- The internal auditors for the identification of problem areas and delays properly.
- Majority of the respondents believes on the assessment of risk by the internal auditors is very strong.
- Majority of the respondents believes the quality of the internal auditors plan in terms of comprehensiveness needs some improvement.
- The quality of the internal audit in terms of clarity is adequate.
- The quality of internal auditors in terms of coverage of the priority area needs improvement.
- Majority of the respondents believe the quality of internal auditors in terms of coverage of the time lines adequate.
- Internal auditors on the demonstration of professionalism in the audit area adequate.
- The internal auditors on the demonstration of constructiveness need improvement.
- The activity of the auditors on the evaluation of information is adequate.
- The internal auditor’s evaluation of the company’s control process is adequate.
- Majority of the respondents evaluate strongly the internal auditor’s information gathering activity
- The internal auditor’s evaluation on demonstrations positive approach is very poor.
- The internal auditors on the continuous improvement of the company’s control process adequate.
➢ The internal auditor’s activity on the disruption of daily activities is very strongly.
➢ The controlling activities of the internal auditors on assessing the problems and their sources are adequate.
➢ Majority of the respondents evaluate the contribution of the internal auditors in compliance with the policy is good.
➢ The contribution of the internal auditors in compliance with rules and regulations of the company is poor.

Conclusion

From this study, the research team concludes that the overall internal audit practice of the LION INSURANCE COMPANY was more or less adequate even though there are some issues that are not addressed to practice internal auditing service effectively and efficiently.

➢ The internal auditors identify areas where problem and delays occurs and handle them properly.
➢ The internal auditors of LIC make an assessment of risk, plan in terms of comprehensiveness, audit in terms of clarity, coverage of priority areas and the timeliness of improvement need.
➢ The auditors of LIC demonstrate professionalism in areas of internal auditing.
➢ The employees of LIC do perform well as far as constructiveness towards the practice of internal auditing is concerned.
➢ The company’s practice in information gathering and assessing activity by the internal auditors is effective.
➢ The company’s internal auditor demonstration approach is very poor.
➢ The company make evaluation to continuously improve the effectiveness of the company’s controlling process.
➢ The controlling system of the internal auditors disrupts the daily activity.
➢ The internal auditor’s activity helps the company by avoiding redundancy of problems during its operation.
➢ The employees of LIC perform their task in compliance with rules and regulation efficiently and effectively.
Recommendations

The main purpose of the research team is to evaluate the internal audit practice of LION INSURANCE COMPANY. Based on these study findings, the research team suggests the following recommendations to improve the internal auditing activity of the company.

- The plan of the internal audit of the company should be consistent with established goals and objectives within the timeline the plan.
- The internal auditors of the company should exhibit the higher level professional objectivity in gathering, evaluating and communicating information.
- The internal auditors should perform by considering the demonstration of professionalism in the audit area with a good positive approach and correcting approach not punishing approach.
- The internal auditors should perform with the responsibility appraise efficiency and effectiveness of the systems and make constructive recommendations for improvement.
- During the evaluation of the information, the internal auditors should make a balanced assessment of all relevant circumstances and unduly influenced by their own interests or by others and avoid the relationships that might seem to undermine their objectivity.
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www.globalinsurance.com
www.nbe.org.gv
www.anbesainsurance.com
DECLARATION

Advisee’s Declaration

We, the undersigned, declare that this senior essay/project is our original work; prepared under the guidance of Instructor Fitsum. All sources of material used for the manuscript have been duly acknowledged.

<table>
<thead>
<tr>
<th>Name</th>
<th>Signature</th>
<th>Date of Submission</th>
<th>Place of submission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zelalem Sisay</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ephrem Kebede</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hiwot Hailu</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
DECLARATION

Advisor’s Declaration

The paper has been submitted for examination with my approval as the University advisor.

Name: ________________________________
Signature: _____________________________
Date: ________________________________
Appendix “A” Questioners

St. Mary's University
Department of Accounting

Purpose of the Questioners

This questioner is prepared by the student researcher of St. Mary’s University college for the partial fulfillment of BA degree on accounting. This is aimed to evaluate that internal audit practice of audit department and their function. In general these principles of internal auditing in Lion Insurance Company are applied or not. All information will be kept confidential and the result of the study will be used only for academic purpose. Believing of that your reliable and honest response will be great contribution to the success of the study.

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

Instructions

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

THANK YOU FOR YOUR COOPERATION!!!

1. Personal Information

1.1 Sex

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
</table>

1.2 Academic Status

<table>
<thead>
<tr>
<th>Diploma</th>
<th>Degree</th>
<th>Masters</th>
<th>Degree and above</th>
<th>Others</th>
</tr>
</thead>
</table>

1.3 Work Experience

<table>
<thead>
<tr>
<th>Below 5 years</th>
<th>5-10 years</th>
<th>11-15 years</th>
<th>above 15 years</th>
</tr>
</thead>
</table>

1.4 Responsibility/ Position

..........................................................................................................................
2. Assessing the risk faced

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

Very strong □  Strong □
Adequate □  Need improvement □
Poor □

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

- If your response is Poor please state your reason
..........................................................................................................................
..........................................................................................................................
..........................................................................................................................

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

Very strong □  Strong □
Adequate □  Need improvement □
Poor □

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

- If your response is Poor please state your reason
..........................................................................................................................
..........................................................................................................................
..........................................................................................................................

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

Very strong □  Strong □

62
Adequate □  Need improvement □
Poor □

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

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

Very strong □  Strong □
Adequate □  Need improvement □
Poor □

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

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

Very strong □  Strong □
Adequate □  Need improvement □
Poor □

- If your response is strong, very strong please state your reason
2.6 How do you rate the quality of internal audit plan in terms of time line?

Very strong ☐ Strong ☐

Adequate ☐ Need improvement ☐

Poor ☐

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

3. Information and communication practices of the internal audit.

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

Very strong ☐ Strong ☐

Adequate ☐ Need improvement ☐

Poor ☐

- If your response is strong, very strong please state your reason
3.2 How do you rate the activities of internal auditors on the demonstration of constructiveness?

Very strong ☐  Strong ☐
Adequate ☐  Need improvement ☐
Poor ☐

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

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

Very strong ☐  Strong ☐
Adequate ☐  Need improvement ☐
Poor ☐

- If your response is strong, very strong please state your reason
3.4 How do you rate the objectiveness of internal auditors regarding his/her evaluation of information and communication?

- If your response is Strong, Very strong please state your reason

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

- If your response is Strong, Very strong please state your reason

4. Assessing the control role of the internal auditors?

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

- If your response is Strong, Very strong please state your reason
4.2 How do you rate the internal auditors’ contribution on the continued improvement on the company's control process?

- If your response is Strong, Very strong please state your reason

- If your response is Poor please state your reason

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

- If your response is Strong, Very strong please state your reason

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

- If your response is Strong, Very strong please state your reason
5. The activity of the internal auditor on the degree of compliance with rules and regulations?

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

<table>
<thead>
<tr>
<th>Rating</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Very strong</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adequate</td>
<td></td>
<td>Need improvement</td>
</tr>
<tr>
<td>Poor</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- If your response is Strong, Very strong please state your reason

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

<table>
<thead>
<tr>
<th>Rating</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Very strong</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strong</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adequate</td>
<td></td>
<td>Need improvement</td>
</tr>
<tr>
<td>Poor</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- If your response is Strong, Very strong please state your reason
6. The activity of internal control on human resource recruitment process

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

- Very strong
- Strong
- Adequate
- Need improvement
- Poor

6.2 What are the reasons for high employment turnover?

- Dissatisfaction in benefit
- Promotion mechanism
- Management intervention

6.3 Does the internal auditor involve in the recruitment process?

- Yes
- No

Appendix “B” Time table

<table>
<thead>
<tr>
<th>TASKS</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
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<th>8th</th>
<th>9th</th>
<th>10th</th>
<th>11th</th>
<th>12th &amp; 13</th>
<th>14th &amp; 15</th>
<th>16th &amp; 17</th>
</tr>
</thead>
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