



ST. MARY'S UNIVERSITY

**FACTORS AFFECTING INTERNAL AUDIT EFFICIENCY: THE CASE OF
COMMERCIAL NOMINEES**

BY

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

JUNE, 2023

ADDIS ABABA, ETHIOPIA

CERTIFICATE

This is to certify that the thesis entitles “Factors affecting internal audit efficiency: The Case of Commercial Nominees” submitted to St.Mary University for the award of the Degree of Master of Accounting and Finance and is a record of bona fide research work carried out by Mr Mintesinot Girma, under our guidance and supervision. Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.

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Acknowledgement

This thesis is a result of the academic research learning process in the Accounting and Finance program it could never have been accomplished without God Almighty His blessing, mercy and power.

I deeply indebted to my lecturer and advisor, Simon Tarekegn (Ass.Prof), for inspiring, guiding and accompanying my through thick and thin, and I thank God that he gave him as my advisor.

It has been a unique special session for interesting experience and unforgettable challenge throughout the whole learning process in Accounting and Finance program. I wish to express my love and gratitude to my beloved family, for their understanding and endless love throughout the duration of my learning process.

Before I finish, I express my gratefulness for all who directly or indirectly contributed to the initiation thesis paper and the successful completion of the write up.

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Acronyms

ANOVA-	Analysis of variance
CAE-	Certified Association Executive
CIA-	Competence of internal audit
IA -	Internal auditing
IAE -	Internal auditing effectiveness
IAQ-	Internal audit quality
IIA-	Institute of Internal Auditors
IO-	Impacts of Internal organization
IPPF-	International Professional Practices Framework
MS-	Management support
QAIP -	Quality Assurance and Improvement Program
SPPIA-	Standards for the Professional Practice of Internal Auditing
SD-	Standard deviation

Abstract

The majority of businesses in Ethiopia don't have an internal audit department. People who have internal audit departments despise them. They are not subject to the advantages of having an internal audit. The majority of studies on internal audit effectiveness were done outside of Ethiopia, and no systematic, extensive research has yet been done in Ethiopia on the subject. This study aimed to assess Factors Affecting Internal Audit Efficiency: A Case of Commercial Nominees plc. It used both quantitative and qualitative data collection approaches to evaluate the factors affecting internal audit efficiency. The target populations of the study were employees of Commercial Nominees Plc, working under the Addis Ababa head office and 8 branches and under the Human Resource Development Department, for a total of 270 employees. The research used a stratified random sampling method to select the sample for the study, which included 25 respondents from the administration, 14 respondents from directors, 50 respondents from managers, 24 respondents from accountants, 7 respondents from auditors, 7 respondents from service supervisors and other outsourced finance officers, and 35 respondents from other departments. This study found that the impacts of internal organization, internal audit quality, management support, and competencies of internal audit on internal audit efficiency were found to be 0.806, 0.753, 963, and 0.972 at $P = 0.000$, respectively. The correlation coefficient (P) between impacts of internal organization, internal audit quality, management support, and competencies of internal audit with internal audit efficiency was found to be 0.806, 0.753, 963, and 0.972 at $P = 0.000$, respectively. This suggests that the four variables are closely related and that management support is the major determinant of the IA's effectiveness. The coefficient table also revealed that the competencies of internal audit have a high impact on efficiency, followed by internal organization, quality, and management support. Internal auditors should give special consideration to the impacts of internal organization, management support, and the competencies of internal audit, as well as adequate resources, facilities, and vehicles, adequate audit staff, adequate communication between auditors and auditee, and adequate education. This study found that competencies in internal audit had a high impact on internal audit efficiency, followed by internal organization, quality, and management support. Internal audit needs to focus on corporate governance, effective oversight, and sound internal controls, with support from management.

Key words: internal audit, Efficiency, management support, competencies of internal audit

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter introduces the research agenda of this study. This chapter outlines the background of the study, statement of the problem, research questions, research objectives, research significance, and definitions of terms and organization of the remaining chapters.

1.1. Background of the Study

Corporate governance has been greatly impacted by changes in the political, economic, and informational environments as well as those in those three areas alone. Businesses face numerous business dangers, which have resulted in a wide variety of financial scams in recent years. For boards of directors and top management, internal audit operations present a number of challenges, including the identification and avoidance of business risks and significant financial fraud. Data security is one of the risks that companies must deal with (Pavelek and Zajcková, 2021). Organizations should conduct organizational audits, especially internal audits, to reduce potential risks and enhance the efficacy of operations (Mucha, 2021).

In the recent years, internal auditing (IA) has undergone dramatic changes that have extended its area of involvement in a way that allow it to add more value to a company. Traditionally, the role of IA has focused on compliance assurance, financial control and assets safeguarding. After the corporate financial scandals of the 2000's, many reforms have reinforced the responsibilities of IA in enhancing corporate governance mechanisms (Sarbanes-Oxley Act 2002; Combined Code 2003; OECD 2004; IFAC 2006). Therefore, IA has become a value creator improving the effectiveness of risk management, control and governance systems (Bou-Raad 2000; Roth 2003; Hass et al. 2006; Cohen et al. 2010).

Internal audits' traits should be studied in the context of the legal system and professional standards in order to increase their performance. In particular, government organizations and professional associations changed the legal system to improve internal audit effectiveness in corporate governance, which includes risk management and control processes, in the wake of the economic collapse brought on by fraudulent financial reporting in the 20th century (Mucha 2021).

Internal auditing is an impartial, unbiased assurance and consulting action intended to enhance and better an organization's processes, according to the IPPF (2017). Through a methodical strategy, it assists a company in achieving its goals. It also follows the right implementation process to evaluate and improve the efficiency of internal control, risk management, and governance processes. Internal audit efficiency is related to how well an internal audit contributes to an organization's achievement of its objectives and adds value to different activities. Due to the important role of internal audits in an organization, their effectiveness has been the subject of research around the world (Mihret and Yismaw 2007; Ahmad et al. 2009; Arena and Azzone 2009; Baharud-din et al. 2014; Alzeban and Gwilliam 2014; Sakour and Laila 2015; Dellai and Omri 2016).

Internal audit is efficiency if it meets the intended outcome it is supposed to bring about. "The internal auditor's job is not done until defects are corrected and remain corrected," claims Sawyer (1995). According to Van Gansberghe's (2005) analysis, the public sector's internal audit efficiency should be assessed based on how much it adds to the evidence of successful and efficient service delivery, since this fuels the need for better internal audit services. Van Gansberghe (2005) identified perceptions and ownership, organization and governance frameworks, legislation, improved professionalism, a conceptual framework, and resources as factors influencing internal audit effectiveness based on the findings of a consultative forum with a focus on improving internal audit in the public sector. In order to give helpful recommendations for changes as needed, effective internal auditing conducts an impartial examination of financial and operating information as well as of systems and processes.

The issuance of Ministry of Finance directives in 1942, which focused on public sector fund utilization, marked the development of modern auditing in Ethiopia (Kinfu, 1990).

The formation of the Office of the Auditor General in 1961 (Government of Ethiopia, 1961) with subsequent refinements of duties and responsibilities in 1979 (Government of Ethiopia, 1979) and 1987 (Government of Ethiopia, 1987) was another significant development in public sector auditing in the country. The Office of the Auditor General undertakes external audits of government ministries and their respective offices to ensure accountability.

Organizations in the public sector must also have internal auditing capabilities to assist efficient management. All organizations that receive full or partial funding from the government budget may request internal audit guides from the Ministry of Finance and Economic Development (Government of Ethiopia, 1996). A document with a code of ethics for internal auditors and instructions on how to conduct audits has been released by the Ministry (Ministry of Finance and Economic Development, 2004). The manual's description of internal audit requirements for the Ethiopian government substantially resembles those presented by the IIA.

Internal auditing practices have become a major topic of interest in the internal auditing literature, and proper and sound measurement of them is essential. According to Barrett (1986), efficiency is determined by the perception of auditee. The management is the most important auditee of the internal audit department, and the SPPIA (2000) includes five elements that are independence and objectivity, professional proficiency, scope of work, efficiency of audit work and management of internal audit department. To be effective, CAE and internal auditors need to meet or exceed these expectations. The effectiveness and credibility of the internal audit function is essential for success in the changing business environment. Therefore this study intends to find out the factors of internal auditing efficiency at commercial nominees Plc. at Ethiopia.

1.2. Statement of the Problem

There are a lot of negative perceptions and misconceptions about internal audit. These are caused by several factors such as fear of loss of jobs, lack of knowledge about the functions of audit and fear of the unknown. Some negative perceptions are also caused by people who are after personal gain from company resources. They feel audit will uncover their secrets (Sifile Obert & Innocent Ngwenya Munyunguma, 2019). Previous studies

have not examined the relationship between the internal auditing practices, internal control systems and performance of the internal audit department. To our knowledge, only some of the studies have examined internal auditing practices, quality of the internal control system and performance of the internal audit department. To date there has been no study to assess the efficiency of SPPIA to the factors of internal audit department. The auditing profession, both internal and external has come under increasing scrutiny since the highly publicized collapse of energy trader, Enron in the USA last year. The uncovering of alleged irregularities at Technology Resources 6 Industries Berhad (TRI) has highlighted the need for greater corporate governance in Malaysia.

Woldegebriel (1994) also highlighted an historical sketch of internal auditing and the future prospects of the profession in Ethiopia, and Argaw and Desta (1994) have described the status of public and private sector auditing in Ethiopia. Since, then, there have been no other studies on internal audit efficiency in general and its effectiveness in particular from an Ethiopian perspective.

The majority of businesses in Ethiopia don't have an internal audit department. People who have internal audit departments despise them. They are not subject to the advantages of having an internal audit. Because some individuals who utilize business resources for personal gain also contribute to unfavorable perceptions, they believe an audit will reveal their hidden agenda. They therefore want to undermine the audit as much as they can in order to undermine the credibility of the audit report. The effectiveness of the internal audit function is impacted by these unfavorable perceptions.

There are contextual and methodological research gaps in previous studies.

Contextual gaps: The majority of studies on internal audit effectiveness were done outside of Ethiopia, and no systematic, extensive research has yet been done in Ethiopia on the subject.

Methodological gaps: some studies conducted so far have used only qualitative methods to examine the problem ((Nguyen 2021- Tunisia; Alzeban & Gwilliam 2014-Saudi Arabia; Ahmad et al. 2009- Malaysia and Sakour & Laila 2015- Lybia)). According to Mihret & Yismaw 2007 in the critical review literature internal audit efficiency, the

study selected the internal audit based on qualitative reasoning that are expected to be relevant in the case of only public sector. But, the result of the study could not be generalized as the only that public sector and it might not be also inferred to the private organization.

As a result, the value of internal audit functions and controls is only acknowledged and stressed after abnormalities are found. A better internal control system and higher performance from the internal audit department would result from adherence to established auditing standards, increased corporate governance knowledge, and effective internal audit functions. According to this, the internal control system will function better and the internal audit department will perform at a higher level the more extensive the internal auditing techniques are.

There are a lot of negative perceptions and misconceptions about internal audit. These are caused by several factors such as fear of loss of jobs, lack of knowledge about the functions of audit and fear of the unknown. Some negative perceptions are also caused by people who are after personal gain from company resources. They feel audit will uncover their secrets. So they want to discredit audit as much as possible so that the audit report will not be credible. These negative perceptions have an impact on the performance of the internal audit function. The majority of businesses in Ethiopia don't have an internal audit department. Those that have an internal audit division despise it. The advantages of having an internal audit are not advantageous to them.

1.3. Research Questions

In order to address the stated research problems, the following research questions were developed:-

1. What are the impacts of internal organization's on internal audit efficiency?
2. What the factors internal audit quality on internal audit efficiency?
3. What are the impacts of management support for internal audit efficiency?
4. What are the key ways of competence of internal audit on internal audit efficiency?

1.4. Objective of the study

The objectives of this study are divided into general and specific objectives.

1.3.1. General Objective

The research's main objective is to evaluate the factors affecting internal audit efficiency a case on Commercial Nominees Plc.

1.3.2. Specific Objective

The study has the following specific objectives:-

- ✚ To evaluate the internal organization's impact on internal audit efficiency on Commercial Nominees Plc.
- ✚ To assess the internal audit quality on internal audit efficiency on Commercial Nominees Plc.
- ✚ To examine the management support for internal audit efficiency on Commercial Nominees Plc
- ✚ To assess the key ways of competence of internal audit on internal audit efficiency on Commercial Nominees Plc.

1.5. Significance of the study

First and foremost, the findings of the study were being beneficial to the academicians, as well as to Commercial Nominees plc to evaluate the factors affecting internal audit efficiency. Because it has examined the impacts of internal organization's on internal audit efficiency, at what factor and how support the management with the key competence of internal audit.

The result of the study were being of a benefit to future researchers who were make use of the findings to conduct further research work in the area evaluate the factors affecting internal audit efficiency. The researcher of this study also wishes to gain significantly overwhelming new insight of the subject matter understudy. The investigation contributes to scholastic and administrative methods in both hypothetical and realistic ways.

1.6. Scope of the study

This study was focus on Commercial Nominees plc to evaluate the factors affecting internal audit efficiency, mainly in Addis Ababa Branches and head office.

Because they have firsthand knowledge, have implemented procedures regarding the internal audit efficiency, and have more than five years of banking experience as heads, directors, department heads, process managers, and non-managerial employees, these respondents were being chosen for this study through the use of purposeful sampling. Moreover, the Addis Ababa branches have the most personnel while the other branches are located elsewhere.

There are also methodical scopes which were having been based on explanatory research approach on the determined targeted population using stratified random sampling. The questionnaires are analyzed using SPSS 25. The research relied on the organization for vital information from a secondary source. The existing results were also analyze to determine their factors.

1.7. Definition of terms

An audit is the examination of the financial report of an organization - as presented in the annual report - by someone independent of that organization. The financial report includes a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, and notes comprising a summary of significant accounting policies and other explanatory notes.

Internal auditing: ... 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. (Institute of Internal Auditors, IIA, 1999a)

Audit quality refers to matters that contribute to the likelihood that the auditor will:

- ✚ Achieve the fundamental objective of obtaining reasonable assurance that the financial report as a whole is free of material misstatement, and

- ✦ Ensure material deficiencies detected are addressed or communicated through the audit report (INFO 183 *Directors and financial reporting*).

Management support is recognized as the most critical factor for the success of large auditing system projects. However, getting this support is often difficult, because management has multiple priorities and one has to compete with others to obtain such support. Political maneuvering is thus an integral and necessary part of the process of obtaining management support.

Competence is the set of demonstrable characteristics and skills that enable and improve the efficiency or performance of a job. Competency is a series of knowledge, abilities, skills, experiences and behaviors, which leads to effective performance in an individual's activities. Wikipedia

1.8. Organization of the study

The study includes five major chapters.

Chapter one introduces the thesis title and evaluates the factors affecting internal audit efficiency. In this chapter the research objective as well as research question, the significant, scope of the study is included as well.

In Chapter two we find the literature review which overviews different scholars' perception and identification about internal audit and its relation with the internal audit efficiency at what factor and how support the management with the key competence of internal audit.

Chapter three is all about the methodology, by providing the population and sampling size as well as the method of sampling, research instruments was uses, data collection techniques and data analysis procedures.

Chapter four presented the findings and summery of findings on the factors affecting internal audit efficiency in Commercial Nominees Plc. It also lay out the researcher analysis on the employee responses to the effect of such factors affecting on its internal audit in terms of efficiency.

Chapter five presented the conclusions that drawn from the research findings and recommendations of the researcher to enhance organizational effectiveness through internal audit, and to ensure a efficiency in the Commercial Nominees Plc.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is concerned with the review of relevant literature. It covers both theoretical empirical literature and conceptual framework. Theoretical literature focuses on definition of internal audit, internal organization's impact, the internal audit quality, management support and key ways of competence of internal audit with internal audit efficiency. On the other hand, empirical literature lays emphasis on findings of empirical studies on the internal audit. The relevant theories of the research with the conceptual and structural framework are also presented.

2.1 Theoretical Literature Review

2.1.1. Overview of Internal Auditing

Internal auditing has seen various focuses and job changes over the years. In the past, there was a greater focus on adopting a one-size-fits-all approach, with audits planned on a cyclical, methodical basis and the auditors' role reported in accordance with a checklist of current company policies and procedures to make sure the internal controls of the company were operating effectively. Since then, the internal auditor's sole responsibility has been to minimize or eradicate risk. This practice may have been appropriate during periods of slower development and less rapid technological evolution, but it is no longer relevant in the modern business environment, which depends on sophisticated electronic technology in all facets of operations and demands timely information to make decisions about global operations.

The purpose of internal auditing is to offer value and enhance an organization's operations. It is an impartial, unbiased assurance and consulting activity. Internal auditing, which is impartial and independent, aids an organization in achieving its goals by bringing a methodical, disciplined approach to assess and enhance the efficiency of risk management, control, and governance procedures (Sawyer & Dittenhofer, 1981)..

Internal audit activities are performed in diverse legal and cultural environments; within organizations that vary in purpose, size, and structures; and by persons within or outside the organization. These differences may affect the practice of internal auditing in each environment. However, compliance with the Standards is essential if the responsibilities of internal auditors are to be met (Sawyer, 1993).

Internal auditing dates from ancient times. The role of auditors during that period was limited to providing validation services for governmental and family units in order to prevent theft, fraud, and other malfeasance from the treasuries of the ruler (Carmichael & Willingham, 2019).

Two people were hired to verify the finances for auditing purposes: one was the internal auditor and the other was the external auditor. The auditors' standard method was to listen to the appointed authorities in charge of financial affairs as they gave oral reports. Because of this, it is believed that the word "auditor" originated from this "hearing of accounts". The use of paper to document financial transactions eventually took the place of this practise (Felios, 2003).

Internal auditing is an important element to management since it provides audit services for managers at all levels including the board of directors and audit committee. Internal auditor's responsibilities are assuring the integrity of financial and operational information and reports, organization is complying with laws, statutes, policies, procedures and financial instruments and is operating efficiently and economically, the goals and objectives of the company have been accomplished and resources have been provided with; and also safeguarding the assets of the organization (Rezaee & Lander, 2013).

This means internal auditors' responsibilities are now broader and more demanding. Based on these responsibilities, it is not difficult to observe how the internal auditing practices can improve the company's corporate governance structure. In fact the revised definition of internal auditing indicates that the scope of audit work includes evaluating and improving the effectiveness of a company's governance process since the new internal auditing concept expects the internal audit to function efficiently, effectively and

economically the organizational activities and controls besides assisting management in high-level decision-making (Internal Auditors, 2020).

Although there has been a steady improvement in the internal auditors' professional standing, Brodie (2019) observed that management has generally been rather slow to recognize the full value and potential of internal audit experience. Therefore, there is a need for ongoing work to improve knowledge of the function of internal auditing and the advantages it can provide for businesses and society at large.

2.1.2. The History of Internal Auditing

Internal auditing was developed in the year's between 1900 to 1950. However, it was not until the late thirties and early forties that it became widely utilized. Brinks (1941) published the first significant text on internal auditing. This publication served as a catalyst to bring together in that same year the twenty-four founders of the Institute of Internal Auditors (Cadmus, 1960). The Institute and the profession grew rapidly due, to a great extent, to the pressing needs of World War II

Internal auditors began to focus on improving operations rather than just looking for accounting errors. This new concept of auditing received management acceptance because the recommendations made by internal auditors were more helpful than those typically provided by external auditors. Internal auditors adopted the term "operations" or "operational" auditing to describe their new improved service. This term first came to the attention of internal auditors in an article by Kent (1948). Operational auditing uses an inductive approach in that it drew from accounting documents recommendations for change, moving from the specific or actual to the ideal. Internal auditors thus pioneered the concept of operational auditing, while a similar concept, called management auditing, was developed in the literature of management.

It is believed that Rose (1932) first coined the term "management audit". He wrote and published this book of the same name in London. Rose's audit was basically designed to analyze the functional activities of a company and had been previously developed for policyholder companies. Benedict's (1948) followed Rose's work and his system offers to evaluate management by means of weighted factorial analysis.

Both writings by Rose (1932) and Benedict (1948) represent the earliest attempts to develop an interview type management audit. The management audit was organized around the functions of management and followed a deductive approach as opposed to the inductive approach of operational auditing. These two similar but separate concepts were the forerunners of today's movement toward the extension of the scope of auditing.

Management auditing and operational auditing began to merge in the late 1950s and early 1960s. Internal auditors frequently referred to their audit as a management audit, and many writers stated that the terms were synonymous. At present, both terms refer to an audit that goes beyond traditional financial attestation into the area of managerial economy, efficiency and effectiveness. Such audits may be deductive or inductive, internal or external.

2.1.3. The Roles of Internal Auditors

Internal auditors play a vital role in ensuring that an organization is efficiently run, morally sound, technologically advanced, cognizant of the environment and other areas of concern, and safe from unnecessary risk (Institute of Internal Auditors, 2020). Previous definitions on internal auditing suggested by different authors also enhanced the roles of internal auditors.

Sawyer and Dittenhofer (2019) defined internal auditing as “a systematic, objective appraisal of the diverse operations and controls within an organization to determine whether financial and operating information is accurate and reliable, risks to the enterprise are identified and minimized, external regulations and acceptable internal policies and procedures are followed, satisfactory standards are met, resources are used efficiently and economically, and organization's objectives are effectively achieved”

In the revised Statement of responsibilities of Internal Auditing issued by the Institute of Internal Auditors (2010) as part of the Standards framework, the section on objectives states: “The objective of internal auditing is to assist all members of management in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. The internal auditor is concerned with any phase of business activity where he can be of

service to management. This involves going beyond accounting and financial records to obtain a full understanding of the operations under review”

With reference to these objectives, Sawyer (2013) noted four benefits managers have gained from internal auditing assistance. These benefits were providing managers with the bases for judgment and action, helping managers by reporting weaknesses in control and performance and in recommending improvements, providing counsel to managers and boards of directors on the solutions of business problems, and supplying information that is timely, reliable and useful to all levels of management

Additionally, the Statement sets forth the types of services that should be performed and the kinds of activities carried on by the internal audit function in attaining the overall objective. Internal auditors should first review and appraise the soundness and adequacy of the accounting, financial, and other operating controls, and promote effective controls at reasonable cost. Secondly, the internal auditors should ascertain the extent of compliance with established policies, plans, procedures, laws and regulations, which could have a significant impact on the company’s’ operations. Then the internal auditors review the means of safeguarding assets and when appropriate, verify the existence of such assets and appraise the economy and efficiency with which resources are employed. Lastly, the internal auditors 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.

Evaluate the factors affecting internal audit efficiency is representative of several primary core activities of internal audit work. The purpose of the review of the adequacy of the internal auditing is to ascertain whether the established system provides reasonable assurance that the organization’s objectives and goals will be met efficiently and economically. The purpose of the evaluation of factors affecting internal audit efficiency is to ascertain whether the organization’s objectives and goals have been achieved.

2.1.4. Critical Success Factors of the internal Audit

Internal organisation policies and encouragement, internal audit quality, management knowledge and support, and internal audit competence make up the four critical success criteria for internal audit performance (The Stock of Thailand, 2005). Therefore, senior

management support, an organization's culture and acceptance, the auditor's skill, and the completeness of the operating and information system make up the four critical success factors of the internal audit performance (Usana, 2009). It's important to note that soft factors, like senior management support, culture, honesty, and communication, are frequently seen as crucial success factors for internal control assessment projects (Macro and Giuseppe, 2003).

2.1.4.1. Internal organization

To enable the company to maximize value creation given its resources and market prospects, management choices on the boundaries, internal organization, and internal processes for aligning incentives of all stakeholders are crucial. Who decides what, who handles what information, and whether or not someone's aims are in line with the company's goals are all determined by internal organization. The volume of information in each business unit and the requirement for coordinated decisions across units must be traded off in any organizational structure. Because of economies of scale and scope, per unit expenses fall as businesses grow in size. However, as the firm expands, numerous principal-agent issues manifest themselves that cause residual loss (Lidija Polutnik, 2015).

2.1.4.2. Internal Audit Quality

Internal Audit Quality comprehensively addresses the Institute of (Internal Auditors' (IIA), 2020) International Standards for the Professional Practice of Internal Auditing. With all eyes on internal audit, you need to understand stakeholder expectations and communicate success measures that demonstrate quality.

The goal of Internal Audit Quality is to assist chief audit executives and internal auditors with embedding quality into all elements of internal audit, from strategic and operational planning down to day-to-day tasks. It provides a framework for developing a Quality Assurance and Improvement Program (QAIP) that simplifies and strengthens the internal assessment process. You will learn how to design internal audit processes to best meet the needs of your organization and to embed performance assessment into daily activities. By creating a system of ongoing quality assurance, you will be able to apply maturity

models, balanced scorecards, and other techniques to meet your organization's need for a high-quality internal audit function (Sally-Anne Pitt, 2023).

Internal Audit Quality contains resources for progressively enhancing the quality of internal audit:

- ✚ Techniques for understanding stakeholder expectations of quality and value
- ✚ Better practices and advice from global internal audit leaders
- ✚ Key performance indicators for measuring internal audit's success
- ✚ Processes for conforming with professional standards
- ✚ QAIP hints for embedding quality

Ensure that internal audit processes are developed in line with the latest professional standards and best practices and that your function exceeds your organization's expectations for quality, performance, and value (Sally-Anne Pitt, 2023).

2.1.4.3. *Management Support*

Many business sectors, including internal and external opportunities, can benefit from management support.

Empower Group's tested approach and experience will guarantee that you don't miss any opportunities to increase your organization's stature and profitability through initial discovery, planning, resource management, implementation, measuring, and monitoring (Empower Group's, 2013).

The Empower Group team will lay out the resources required to strategically grasp each opportunity. Some of the most common Management Support Contribute to Audit Quality and to understand successful practices to strengthen the audit process are;

Optimize management's processes to support the audit. The better management establishes and executes its own internal processes for planning, managing and supporting the audit, the smoother the audit is likely to run (Taryn Abate, 2018). These processes may include:

- ✚ Clearly defining and communicating team roles

- ✚ Delegating responsibilities to all members involved in supporting the audit
- ✚ Having a schedule to support timely responses to auditor requests
- ✚ Holding internal planning meetings to prepare for the audit
- ✚ Holding meetings during and after the audit to seek feedback and improve the audit process in the future.

Deepen planning between auditor and management. Valuable information can be provided to the auditor during the planning phase of the audit to help set the audit up for success. Management has an intimate understanding of its entity and the environment in which it operates and can provide insights with respect to risks and any significant changes that have occurred during the year. Holding a planning meeting with the auditors before the audit begins allows for information sharing and provides an opportunity to discuss agreed-upon timelines (Taryn Abate, 2018).

The vast majority of respondents, according to Taryn Abate (2018), believed their auditors had a thorough awareness of the entity's financial reporting concerns. However, some respondents believed their auditors' priorities did not always coincide with the risk areas noted by management. A few respondents admitted they were unaware of the length of time their external auditor spent on any particular auditing work or the rationale behind why specific activities were being carried out. More than half of the respondents said that if auditors spent more time questioning management, they would have a better understanding of the company.

These findings highlight an opportunity for both the auditor and management to improve communication and thus increase engagement in the audit process. Some management expressed a desire for more detailed post-audit feedback, which can be preempted by planning in advance and may enhance the value of the current audit and lead to greater efficiencies in future audits (Taryn Abate, 2018).

Enhance communication between auditor and management. Establishing a transparent relationship with two-way, ongoing communication throughout the audit builds greater engagement on the part of management and may further support an

effective, efficient and higher quality audit, benefiting both management and the auditor (Taryn Abate, 2018).

2.1.4.4. Internal audit competencies

Generally speaking, internal audit competencies fall into one of three broad areas:

1. Technical auditing or accounting skills;
2. Skills relating to critical thinking and business understanding; and
3. Interpersonal and communication skills.

While all three skill sets are important, in my experience the most effective internal auditors are especially good at the second and third areas.

In this article I'll explain what I mean regarding each of these areas and also give some hints and tips to help new internal auditors develop the required skills in order to become more effective (Greg Coleman, 2021).

Technical auditing/accounting competencies

New internal auditors typically do well in this area due to their up-to-date knowledge of accounting and auditing standards, risk-based auditing, types of control, sampling and time (project) management. They may also be up to date with cyber security risks and the latest thinking around areas such as lean internal audit and agile audit methodology. However, being proficient in these areas will not add much value as an auditor. The most important thing is to use these skills in a pragmatic way and to communicate their findings with management (Greg Coleman, 2021).

Competencies relating to critical thinking and business understanding

The competencies above involve reviewing processes and controls, performing testing, extracting data and identifying anomalies. The skills in this second section involve building on the work performed and interpreting the information in a meaningful way. This is at the heart of what internal auditors do - interpreting the results of testing to

understand whether findings represent an actual control weakness or whether there are other mitigating controls which “plug the gap”. Where findings do represent a weakness, the auditor needs to be able to assess the significance of the weakness and its potential impact on the business. Ibid

Interpersonal and communication skills

Good internal auditors are good communicators who build rapport, explain what the audit is trying to do, and put those being audited at ease. They make it clear that they are reviewing the process and controls, not the individuals who operate them. When meeting more senior management, there are a number of techniques that can be used to help ensure that they are seen as a credible and professional internal auditor. These include engaging with senior management, taking a more strategic view when talking to senior management, and not getting bogged down in too much detail. These techniques help ensure that the auditor is seen as a credible and professional internal auditor (College of the North Atlantic, 2006).

Internal Audit is about meeting the needs and expectations of various stakeholders and adding value to the organization. It is important to craft a message around several key headings, such as “What did you find?”, “What’s its significance?”, “What do you want the senior manager to do about it?”, and “What’s the benefit (for them) if they do?” It is also important to be pragmatic and to recognize that not all weaknesses will be fixed (College of the North Atlantic, 2006).

The key question is one of transparency: if managers are accepting risks and choosing not to mitigate them due to cost or other considerations, do they have the appropriate level of authority to make such a decision? Have they alerted the person they report to? Has the risk been properly identified on their departmental risk register? Finally, Internal Audit is about meeting the needs and expectations of various stakeholders and adding value to the organization (College of the North Atlantic, 2006).

2.2 Empirical Literature Review

Even though there are extensive empirical studies in evaluation of factors affecting internal audit efficiency and its consequence work outcomes, in the form of factors internal audit, affective organizational efficiency. Therefore, in this section the most selected and related empirical finding of related literatures were presented.

The IA efficiency is a tricky concept that has been little studied in the accounting and auditing literature. According to Dittenhofer (2001), effectiveness of IA is the achievement of objectives and goals of the IAF. Based on the official definition of IA, the ultimate objective of the internal audit function is the creation of value added to the organization. Therefore, an IAF is effective when it actually contributes to create added value to the organization (Roth 2003; Mihret et al. 2010; Gros et al. 2016).

Previous studies claimed that an effective IAF aims to add value to the organization by helping its management and board of directors to evaluate and improve the effectiveness of management support, internal organization, internal audit quality and competencies (Gramling et al. 2004; Hass et al. 2006; Yee et al. 2008; Walter & Guandaru 2012). Al-Twaijry et al. (2003) and Spira & Page (2003) confirmed that IA could bring added value by helping organizations to achieve its economic objectives through the implementation of internal audit recommendations by senior management. In addition, Tamosiuniene & Savcuk (2007) argued that the IAF is able to improve the competitive advantage for the company by ensuring high-quality financial reporting and improving the governance process. In this context, Eden & Moriah (1996) showed that the performance of 224 bank branches has significantly improved during the half year following the involvement of IA in the experimental branches.

Internal audit effectiveness is based on the internal audit concept of IIA (Mihret et al. 2010; Gros et al. 2017). The important objective of an internal audit is to provide an independent and objective auditing and advisory function, designed to create added value and complete organizational activities. An internal audit helps an organization to achieve its goals by adopting a systematic approach to assess and improve the effectiveness of risk management processes, control processes, and corporate governance (Hass et al. 2006; Yee et al. 2008; Walter and Guandaru 2012; Dellai and Omri 2016; IPPF 2017).

In particular, Yee et al. (2008) conducted a study interviewing 83 Singaporean managers, including junior, middle, and senior managers, to investigate their viewpoints regarding the role of an internal audit and its effectiveness. The results indicated that both senior and junior managers in Singapore considered the role of internal auditors in the business to be important.

In addition, the perspective of internal audit clients has been investigated in terms of the role and effectiveness of an internal audit. Dellai and Omri (2016) tested the factors affecting internal audit effectiveness by collecting 148 responses from chief audit executives working for organizations in Tunisia. This study revealed several measures of internal audit effectiveness, including the establishment of an audit plan, issue of internal audit reports, performance of audit recommendations, and assessment and improvement of activities in compliance with IIA standards.

From an overview of previous studies, it can be seen that there are four main factors affecting the effectiveness of an internal audit, shown subsequently.

2.2.1 Hypothesis development

2.2.1.1 *Internal Organization Efficiency*

Dittenhofer (2001) pointed out that the efficiency of IA contributes not only to the adequacy of procedures and operations of organization audited, but also to the efficiency of the organization as a whole. These findings have also supported other studies revealed that IA brings added value to the organization by improving its organizational performance (Mihret & Woldeyohannis 2008; Cohen & Sayag 2010; Octavia 2013). Some studies have suggested that the effectiveness of IA improves the economic performance of organizations by increasing the rate of return on capital employed (Mihret et al. 2010; Aikins 2011). Radu (2012) suggested that the effectiveness of IA helps senior management in fulfilling its governance responsibilities and that good governance in turn allows harmonizing interests of stakeholders and increasing the company performance. To recap, an effective IAF aims to achieve its ultimate goal, which consists in creating added value for the organization.

In particular, Alzeban and Gwilliam (2014) interviewed 203 managers and 239 internal auditors from 79 public sector organizations to evaluate factors affecting internal audit effectiveness in Saudi Arabia. These results showed the relationship between support from management and effectiveness of internal audit from public organizations. In addition, Dellai and Omri (2016) have demonstrated a positive relationship between internal organizations with internal audit efficiency. Mihret and Yismaw (2007); Alzeban and Gwilliam (2014) have shown the impact of the quality of audit work on the efficiency of internal audits. The discussion above raises the following hypothesis:

Hypothesis H1: 1.Impacts of internal organization has positive and significant impact on internal audit efficiency.

2.2.1.2 Quality of Internal Audit

Cohen and Sayag (2010) and Dejnaronk et al. (2016) showed that performing an audit in accordance with internal audit standards affected the effectiveness of the internal audit. Mihret and Yismaw (2007) performed research which examined the impact of internal audit quality on the effectiveness of internal audits. These studies showed that the quality of an internal audit influences the effectiveness of the internal audit. Cohen and Sayag (2010) pointed out that the quality of the audit was evaluated by the annual audit plan, the areas audited and regular follow-up with an internal audit; thus, the following hypothesis was developed:

Hypothesis H2: 2. Internal Audit Quality has positive and significant impact on internal audit efficiency.

2.2.1.3 Management Support

Strakova et al. (2021) demonstrated that managers of enterprises increasingly look for new methods to manage and run their business. The support and commitment of management also are important factors to improve the effectiveness of internal audits. Strong support of management for the work of internal auditors and the audit process makes for the success of the internal audit function. It is accepted that the internal audit process is an important activity in comparison with any other process within the organization. Some researchers indicated that with a lack of management approval,

support and encouragement, the internal audit process is likely to be a time-consuming failure and a waste of money.

Reporting on the Malaysian public sector, Ahmad et al. (2009) indicated that management support has a considerable influence on the implementation of internal audit recommendations and the internal audit would be well resourced in terms of number of staff and budget. Cohen & Sayag (2010) found that management support was strongly related to the three auditing effectiveness dimensions (auditing quality, auditees' evaluations, and added contribution of IA) in Israeli organizations. Alzeban & Gwilliam (2014) found that management support was the most important factor influencing IA effectiveness within the Saudi Arabian public sector organizations. They noted that IA effectiveness would be enhanced by hiring trained and experienced staff, and providing sufficient resources.

Furthermore, Mihret & Yismaw (2007) found that management support was the second most important factor influencing IA effectiveness within the higher educational institution in Ethiopia, after internal audit quality. In a survey of Ghanaian internal auditors, Onumah & Yao Krah (2012) found that IA effectiveness was mainly hindered by the absence of management support and insufficient resources for the internal audit department. Top management must be truly aware of the importance of the role of IA within an organization and fully support the internal auditors to ensure legitimacy, credibility and authority of the IAF (Van Gansberghe 2005; Sarens & De Beelde 2006). These arguments lead to the following hypothesis:

Hypothesis H3: 3. Management support has positive and significant impact on internal audit efficiency.

2.2.1.4 Competence of internal audit

The competence of internal auditors is the most important factor affecting the effectiveness of all internal audit activities (Al-Twajjry et al. 2003; Alzeban and Gwilliam 2014). Previous studies pointed out that competence of internal auditors is an important variable affecting internal auditor effectiveness. Al-Matarneh (2011); Mihret and Woldeyohannis (2008); and Ali and Owais (2013) suggested that measurements of

the competence of internal audits are based on necessary education, professional qualifications, experience and the number of training hours of an internal auditor, as well as the continued updating of professional training.

Previous studies suggest that competence of internal auditors is a critical determinant of IA effectiveness (Albrecht et al. 1988; Van Gansberghe 2005; Al-Matarneh 2011). In the Saudi environment, AlTwaijry et al. (2003) noted that the adequate level of competencies of internal audit staff in terms of training, experience, knowledge, and professional qualifications have a positive influence on the effectiveness of IA. Similar results were obtained in other studies conducted in Malaysia (Ahmad et al. 2009), Iran (Alizadeh 2011) and South Africa (Staden & Steyn 2009). Furthermore, Ziegenfuss (2000) ranked the auditor education levels, the staff experience, the percent of certified staff and the training hours per internal auditor among the most important inputs of the internal audit performance. In Taiwan, Hung & Han (1998) found that the training and professional abilities of internal auditors positively and significantly affect the progress of annual auditing plan.

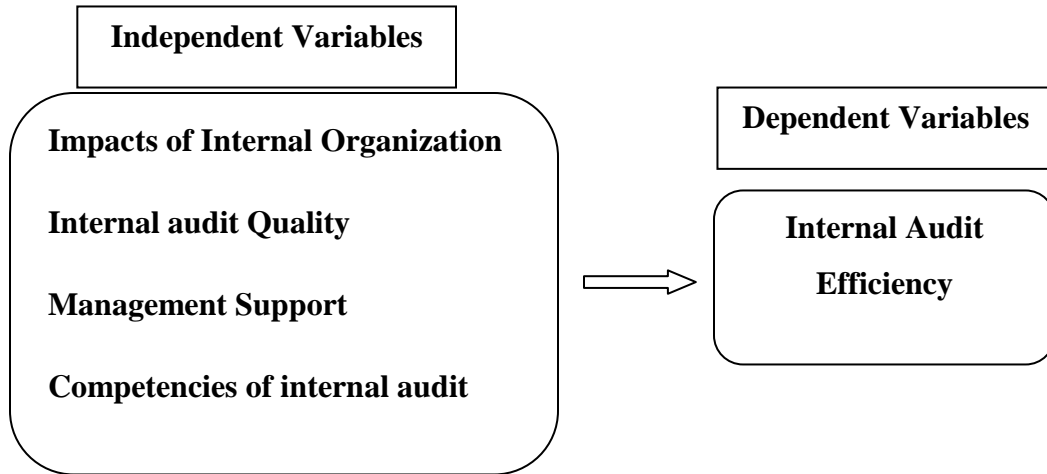
Moreover, Abdolmohammadi (2009) has demonstrated that certified internal auditors improve the compliance with the ISPPA in Anglo-Saxon countries. Other studies suggest that lack of competence of internal auditors is an obstacle to the effectiveness of IA in a number of African countries as Ethiopia, Ghana and Kenya (Mihret & Yismaw 2007; Onumah & Yao Krah 2012; Walter & Guandaru 2012). Against this background, we can formulate the first research hypothesis:

Hypothesis H4: 4. competence of internal audit has positive and significant impact on internal audit efficiency.

2.3 The Conceptual framework

Internal auditing efficiency is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objective by bringing efficiency, disciplined approach to evaluate and improve the efficiency of internal organization, internal audit quality, management support and competencies of internal audit (IIA,2010). The Efficiency of internal audit

performance can be classified in to internal organization, internal audit quality, management support and competencies of internal audit (IIA, 2010). The efficiency of internal audit performance consists of management’s policies and encouragement, completeness of operating and understanding and acceptance from auditee.



Source: Own source Developed for this study, 2023

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

A method of systematically addressing the research problem is called research methodology. Kotler (2004) states that "when we talk about research methodology, we are not only talking about the research methods, but are also discussing the logic behind the methods that we are utilizing in the context of our research study." The study techniques were therefore present in this chapter. The methods for data collecting, demographic and sampling design, research processes, and data analysis techniques are all were covered.

3.1 Research Approach

This study used both quantitative and qualitative data collection approach because it includes a range of methods such as documentation, questioner and observation. As the combination of qualitative and quantitative approaches provides the most complete or insightful understanding (Rwegoshora, 2006) this research was expected to provide better understanding of the raised research problems. According to Creswell, 2003 it can also provide better opportunities for testing alternative interpretations of the data, for examining the extent to which the context helps to shape the results and for arriving at convergence in tapping a construct.

The explanatory research approaches were used to interpreting and analyzing the data collected as it was being more explanatory on the identified variables. The open ended questions that stated on the questionnaires results qualitative information in relation to employee's perception, opinions and attitudes in relation to the thesis title focusing on the main elements. The final data were analyzed using SPSS 25.0 and uses normality and linearity test so that the significance levels towards the selected variables were being measured. Correlation analyses were being done to see the relationship between the dependent and independent variables. Plus, regression analyses were including identifying the effect of independent variables on the dependent one.

3.2 Research Design

In this study explanatory research, the data was gathering once from the entire population using a sample. According to Singh (2006), a study design is simply a statement of the purpose of the investigation as well as the methods uses to gather, examine, and present the data. The studies were being an explanatory research design that uses both qualitative and quantitative approaches in order to achieve its aims. In order to establish quantifiable causes and effects between the study's variables, Creswell (2003) contends that the quantitative survey research design is essential. According to Christensen (1985), a quantitative survey should be uses if the goal of the study is to describe the strength of the link between the variables.

To measure the factors affecting internal audit efficiency, five Point Likert-types of scales were developed. As Likert scale was simple to construct it is also highly reliable and easy to understand. Plus it takes much less time to construct. (Kothari, 2004) Therefore the questionnaire were in a range from 5 ("strongly agree") to 1 ("strongly disagree"). There was being 20 questions relating to 4 variables. The variables were identifying by the reviewing of various literatures. Regarding to the secondary data of the research the documents, researches & recordings as well as journals and news articles that were written about the internal audit efficiency and their factors were being used.

3.3 Target Population and Sampling Method

3.3.1 Target Population

Population means the total number of individuals from which a sample was drawn. The target populations of this study were being employees of Commercial Nominees Plc, working under the Addis Ababa head office and 8 branches and under the Human Resource Development Department, with a total of 270 employees. Employees under human resource administration and finance, directors, managers, accountants, auditors, service supervisors and other outsourced workers with more than five years of commercial nominee experience in the department were being directly concerned with this study.

3.3.2 Sampling technique

The researcher used a stratified random sampling method to select the sample for the study. The strata's were represent the branches involve in the research. Stratification means that specific characteristics of individuals (e.g., both females and males) were represented in the sample and the sample reflects the individuals with certain characteristics of the population. When randomly selecting people from a population, these characteristics may or may not be present in the sample in the same proportions as in the population, since it was difficult to include many employees those which were working in the branches of customs while the study conducted; stratification shows their representation.

3.3.3 Sample size

The sample size was a smaller set of the larger population as indicated by Cooper and Schindler, (2006). Determining sample size was a very important issue for collecting an accurate result within a quantitative research design. Thus Mugenda, (2003) argues that the samples were carefully selected to be representative of the population. Therefore this research was selected the simplified formula for proportions developed by Yamane T (1967:886) to calculate the sample size with 95% confidence level, 0.5 degree of variability and 5% of level of precision/sampling error.

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

Where n is the sample size, N is the population size and e is the level of precision.

On April 2023 staff data of Commercial Nominees Plc have a total of 270 employees. According to Kothari, (2004) the size of the sample drawn from the population should be less than the total population. Therefore the total sample size were indicated as follows in the below table.

The sample is determined as;

$$n=N/(1+Ne^2)$$

$$n= 270/ (1+270(0.05)^2)$$

$$n=270/1.675$$

n=161.194

n=162 (rounded)

Therefore, based on the above formula, the sample size taken from each stratum was depicted in table below, which is 25 respondents from the Administration, 14 respondents from Directors, 50 respondents from Managers, 24 respondents from Accountants, 7 respondents from Auditors, 7 respondents from Service supervisors and other outsourced and Finance officer and 35 respondents from others departments. Thus, the total sample size of the study was 162, which is 54.8% of the total population ($162/270 = 0.6$).

Table 3.1: Table Sample size

No	Type of Strata	Column1	Sample Size(60% of the Population)
1	Administration and Finance officer	42	25
2	Directors	24	14
3	Managers	82	50
4	Accountants	40	24
5	Auditors	11	7
6	Service supervisors and other outsourced	12	7
7	Others	59	35
Total		270	162

Source: Commercial Nominees Plc, Human resource and development directorate (2023)

3.4 Data Sources and Types

Both primary and secondary sources of data were being uses to meet the research objectives. The researcher employees structured questioning to organize the primary data to investigate impacts of internal organizations on internal audit efficiency, at what factor and how support the management with the key competence of internal audit. The investigation were supports by relevant documents from published sources, such as books, journals, articles, and abstracts, as well as from unpublished sources, such as websites, annual and quarterly reports of the organizations under consideration, as well as other library materials, were used to gather secondary data.

3.5 Instrument of Data Collection

This study collected primary and secondary data. Primary data was obtained by questionnaire. The questionnaires were conducted in a structured format. The questionnaires were being developed by the researcher.

It was improve before it can be used to collect data to ensure that the questions are understandable and fruitful to respondents. To help decrease the source constraint on both time and price, twenty employees were being selected for the pilot study from the investigator's present organization.

The instrument were being divided into five parts: the first part was ask about respondents' demographic characteristics; the second part was asked about internal organizations; the third part was measured internal audit quality; the fourth part was asked about management support; and the fifth part was asked about the competence of internal audit. A five-point Likert scale was used by the questioner.

3.6 Data Collection procedures

As previously mentioned, both quantitative and qualitative data collection techniques were used in this study. Through surveys and document reviews with the Commercial Nominees Plc administration, quantitative data were gathering. Every department and selected respondent was receiving the questionnaire. The researcher is in charge of distributing and gathering the questionnaires for the Commercial Nominees Plc employees.

To establish the clarity of the research's purpose, the entire study concept was explained to focal points and those employees who have email addresses. The researcher's confidence levels were met through rigorous and ongoing follow-up.

3.7 Methods of data analyses

Before the actual data analyze, the questionnaire was check for completeness and consistency. Data was analyzed using the Statistical Software Package for Social Sciences (SPSS 25.0) which shows the correlation of efficiencies using Pearson and then determined the degrees of significance on employees' performance. Therefore SPSS were used for Correlation test (Pearson's), Reliability analysis–Cronbach's alpha, and for analysis of regression.

3.8 Validity and Reliability

3.8.1 Validity

Validity was defined as the extent to which the instrument measures what it purports to measure (Miller, 2000). Therefore to make sure the validity of research instrument, the questionnaires was adapted from previous researchers plus the pilot test was conducted with 20 of the employees Commercial Nominees Plc.

3.8.2 Reliability

Miller, n.d. (2000) defines reliability as the degree to which a survey, test, observation, or other measurement process yields the same results across trials. Therefore, the questionnaire were satisfied the required level for attitude 0.7 in terms of reliability and will be checked for consistency based on Cronbach's alpha. Cronbach's alpha was a dependability coefficient, according to George and Mallery (2003, as mentioned in Joseph & Rosemary, 2003). It was widely used as an indicator of the internal consistency or reliability of a psychometric test for a sample of test-takers. The usual range of Cronbach's alpha reliability coefficient is between 0 and 1.

Table 3.2: Rule of Thumb of Cronbach's Alpha

Cronbach's Alpha	Description
$\geq .9$	Excellent
$\geq .8$ but $< .9$	Good
$\geq .7$ but $< .8$	Acceptable
$\geq .6$ but $< .7$	Questionable
$\geq .5$ but $< .6$	Poor
$\leq .5$	Unacceptable

Source: Zikmund, et al, 2010.

Table 3.3: Test of Reliability

		Cronbach's Alpha	No of Item	Remark
1	Internal Organization	.937	5	Reliable
2	Internal audit Quality	.951	5	Reliable
3	Management Support	.774	7	Reliable
4	Competencies of internal audit	.691	6	Reliable
Average		.953	23	Reliable

Source: Own Survey, SPSS output, 2023

As a result, Table 3.3 displays the values of Cronbach's alpha for each field of the questionnaire as well as the total questionnaire. These values ranged from .691 to .951. Because the result of 0.691 is questionable, as Lombard said, the reliability of the entire item was dependable and acceptable. However, it was the closest to acceptable, so we move on to the next phase. Based on the aforementioned Cronbach's rule, 0.774, 0.937, and 0.951 are also acceptable, and the grade is good. Thus, it can be said that the validity, dependability, and readiness for analysis of the questionnaire have been established.

3.8.3 Ethical Consideration

The data were being collected only to analyze the effects of factors affecting internal audit efficiency. The researcher must also follow all association and university standards and be fully accountable for managing the whole study procedure. Any person or group would not be able to move it. The studies were being carried out in accordance with all policies, rules, and regulations of the university. The steps of research ethics are followed by methods for effective design, data gathering, processing, and distribution. The research's initial goals and motivation will be hinted at.

CHAPTER FOUR

RESULT AND DISSCUSION

4.0 Introduction

In this chapter, the results obtained from employees of Commercial Nominees Plc, working under the Addis Ababa head office and 8 branches, are presented and analyzed. First, the demographic characteristics of the respondents are presented. It follows with a summary of the respondent's reply on internal audit efficiency. Then it follows with a description of the data gathered, discussed, and analyzed carefully in order to assess the internal audit efficiency of Commercial Nominees Plc. The presentation of findings has been organized in accordance with the study objectives.

4.1 Response Rate

The response rate deals about the distributed questionnaire and number of questionnaire returned from 8 branches of study area within Commercial Nominees Plc.

Table 4.1: Response Rate of Respondents

Description	Respondents
Sample Taken Population	162
Questionnaire distributed	162
Questionnaire returned	146
Response rate	90.12%

Source: Own Survey, 2023

4.2 Descriptive Analysis

4.2.1 Demographic characteristics of respondents

This part of the data was intended to describe demographic data consisting of the sex, age, marital status, education level, years of experience, and employment category of the respondents. The frequency analysis was used to examine the demographic characteristics of the respondents.

Table 4.2: Sex of Respondents

Sex				
	Frequency	Percent	Valid Percent	Cumulative Percent
Male	74	50.7	50.7	50.7
Female	72	49.3	49.3	100.0
Total	146	100.0	100.0	

Source: Own Survey, SPSS output, 2023

The above table is indicative of the results that were obtained from the respondents. 50.7% of the respondents were male and 49.3% were female; therefore, from the sampled respondents, there are a greater proportion of male respondents than female respondents in the Commercial Nominees Plc distribution of employees.

Table 4.3: Age of Respondents

Age				
	Frequency	Percent	Valid Percent	Cumulative Percent
20-30	63	43.2	43.2	43.2
31-40	43	29.5	29.5	72.6
41-50	34	23.3	23.3	95.9
Greater than 51	6	4.1	4.1	100.0
Total	146	100.0	100.0	

Source: Own Survey, SPSS output, 2023

As indicated in the above table, 43.2% of the respondents are between 20 and 30 years of age, while around 29.5% are between 31 and 40 years of age, 23.3% are between 41 and 50 years of age, and only 4.1% are above 51 years of age. This shows that the majority of the respondents are aged between 20 and 30 years of age. In addition to this, if we sum it up, almost 95.9% of the employees are found to be between 20 and 50, indicating Commercial Nominees Plc is mixed-aged.

Table 4.4: Marital status

	Frequency	Percent	Valid Percent	Cumulative Percent
Single	45	30.8	30.8	30.8
Married	66	45.2	45.2	76.0
Divorced	18	12.3	12.3	88.4
Widow	17	11.6	11.6	100.0
Total	146	100.0	100.0	

Source: Own Survey, SPSS output, 2023

Table 4.4 revealed that 30.8% of respondents were single, 45.2% were married, 12.3% were divorced, and 11.6% were widows. This shows a large number of employees were married, making up 45.2%.

Table 4.5: Educational background

Educational background				
	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	24	16.4	16.4	16.4
BSC/BA degree	72	49.3	49.3	65.8
Masters	50	34.2	34.2	100.0
Total	146	100.0	100.0	

Source: Own Survey, SPSS output, 2023

The academic qualification of the respondents in the table indicates that 16.4% were diploma holders, 49.3% were first-degree holders and 34.2% were master's degree holders. Overall, the respondents appear to be educated professionals, with 83.6% holding a first degree or above.

Table 4.6: Experience

Experience				
	Frequency	Percent	Valid Percent	Cumulative Percent
1-5 years	49	33.6	33.6	33.6
6-9 years	37	25.3	25.3	58.9
10-14 years	31	21.2	21.2	80.1
More than 15 years	29	19.9	19.9	100.0
Total	146	100.0	100.0	

Source: Own Survey, SPSS output, 2023

Regarding work experience years of respondents, Table shows that 33.6% had service years ranging from 1 to 5, 25.3% had service years between 6 and 9 years, 21.2% had service years from 10 to 14, and 19.94% had service years above 15 years. The result indicates that respondents are from different years of service, and most of the respondents' years of experience were between 1 and 9. It implies that they are aware of the employee performance of Commercial Nominees Plc.

Table 4.7: Department

Department				
	Frequency	Percent	Valid Percent	Cumulative Percent
Administration and Finance officer	23	15.8	15.8	15.8
Directors	12	8.2	8.2	24.0
Managers	46	31.5	31.5	55.5
Accountants	22	15.1	15.1	70.5
Auditors	7	4.8	4.8	75.3
Service supervisors and other outsourced	7	4.8	4.8	80.1
Others	29	19.9	19.9	100.0
Total	146	100.0	100.0	

Source: Own Survey, SPSS output, 2023

The table shown above shows the employment job category of respondents. These implied that 15.8% of respondents were in the category of administration and finance

officers; 8.2% were within the category of directors; 31.5% were within the category of managers; 15.1% were within the category of accountants; 4.8% were within the category of auditors and service supervisors; and 19.9% were from other departments. This implies that the respondents were from different employment categories and are aware of factors affecting the internal audit efficiency of Commercial Nominees Plc.

4.2.2: Descriptive Statistical analysis of training on employee performance

In order to see the general perception of the respondents, this section of the study presents the descriptive statistics (mean and standard deviation) of the independent variables of the study. Thus, the mean indicates to what extent the sample group averagely agrees or disagrees with different statements. The lower the mean, the more the respondents disagree with the statements. The higher the mean, the more respondents agree with the statements. On the other hand, the standard deviation indicates the variability of observed responses from a single sample.

Table 4.8: Descriptive analysis of Impacts of internal organization

Descriptive Statistics			
	N	Mean	Std. Deviation
Have no obstruction in obtaining audit evidence (fraud-related matter etc.)	146	3.3356	1.06530
Have regular access to senior personnel	146	3.6233	0.85614
Free to allocate resources, determine audit scope	146	2.7192	1.18463
Have easy access to client personnel, attention, and assistance when needed	146	2.5137	1.29315
Freedom to produce audit reports without interference/intimidation	146	2.5068	1.15219
Valid N (listwise)	146	2.9397	1.11028

Source: Own Survey, SPSS output, 2023

The table shows the descriptive statistics result of the impacts of internal organization. The finding that there was no obstruction in obtaining audit evidence or fraud-related matters had a mean score of 3.335 (SD =1.065). Have regular access to senior personnel had a mean score of 3.623 (SD = 0.856). Free to allocate resources and determine audit scope had a mean score value of 2.719 (SD = 1.184). Easy access to client personnel, attention, and assistance when needed had a mean score of 2.513 (SD =1.293), and freedom to produce audit reports without interference or intimidation had a mean score of 2.506 (SD = 1.152). Specifically, those who have regular access to senior personnel had a

higher mean of 3.623. This suggests that the majority of respondents concur that they frequently interact with senior staff.

Table 4.9: Descriptive analysis of Internal Audit Quality

Descriptive Statistics			
	N	Mean	Std. Deviation
There is communication between internal and external audit	146	3.8288	0.79965
Internal audit's work was efficiently performed	146	3.4658	0.91850
Internal audit's recommendations can be easily implemented	146	3.0890	1.23132
Internal audit's report is accurate	146	2.5479	1.29232
Established internal audit's objectives were accomplished	146	3.2534	1.17333
Valid N (listwise)	146	3.2370	1.08303

Source: Own Survey, SPSS output, 2023

The table shows the descriptive statistics analysis results for internal audit quality. There is communication between internal and external audits, as indicated by the mean score of 3.828 (SD = 0.799). Internal audit's work was efficiently performed, as indicated by the mean score value of 3.465 (SD = 0.918). The internal audit's recommendations can be easily implemented based on the mean score value of 3.089 (SD = 1.231). The internal audit's report was accurate with a mean score value of 2.547 (SD = 1.292), and the established internal audit's objectives were accomplished with a mean score value of 3.25 (SD = 1.173). Specifically, items from internal audit quality measures show communication between internal and external audits, with a higher mean of 3.828. This implies that the majority of the respondents agree that they have communication between internal and external audits. The item with the lowest mean score of 2.54 refers to the internal audit's report being accurate. This indicates that the majority of the respondents are in slight agreement with the statement.

Table 4.10: Descriptive analysis of Management Support

Descriptive Statistics			
	N	Mean	Std. Deviation
Senior management supports internal audit's personnel	146	3.3356	1.06530
Internal audit department is large enough to efficiently carry out its duties	146	3.6233	0.85614
Senior management is aware of internal audit's needs	146	2.7192	1.18463
Receive cooperation, access to records and information from management	146	3.1164	1.11114
Provision of adequate resources/facilities/vehicle for audit task	146	2.5479	0.77976
Audit staff adequately equipped with current skills and audit trends	146	2.3767	0.99752
Provision of IT audit equipment and training on IT audit	146	3.3356	1.06530
Valid N (listwise)	146	3.0078	1.00854

Source: Own Survey, SPSS output, 2023

The table presented the respondent's response analysis results for management support. These are: Senior management supports internal audit's personnel were the mean score value of 3.335 (SD = 1.065). The internal audit department is large enough to have personnel, but without its duties, the mean score value was 3.623 (SD = 0.856). The internal audit is aware of internal audit's needs, as indicated by 2.719 (SD = 1.184). Receive cooperation, access to records, and information needs, as indicated by management, with a mean score of 3.116 (SD = 1.111). Provision of adequate resources (records, ties, and vehicles) for the audit task had a mean score of 2.547 (SD = 0.779). Audit staff adequately equipped, with a current, or vehicles for the audit are sufficient. The mean score value was 2.376 (SD = 0.997), and the provision of IT audit equipment and training on IT audit had a mean score value of 3.335 (SD = 1.065). Specifically, items from Management Support measure the internal audit department, which is efficient enough to efficiently carry out its duties, has a provisional score of 3.623. This implies that the majority of the respondents indicated that they agree that the internal audit department is sufficiently large to effectively perform its obligations. The item with the lowest mean score of 2.376 refers to audit staff being adequately equipped with current skills and audit trends.

Table 4.11: Descriptive analysis of Competencies of Internal Audit

Descriptive Statistics			
	N	Mean	Std. Deviation
The professional knowledge of internal auditors is high	146	3.3356	1.06530
Internal auditors is considered as professionals	146	3.6233	0.85614
Internal auditors are proactive	146	2.7192	1.18463
Internal auditors attend educational seminars for continuous training	146	3.1164	1.11114
There is communication between internal auditors and auditee	146	2.5479	0.77976
Internal auditors has adequate education	146	2.3767	0.99752
Valid N (listwise)	146	2.9532	0.99908

Source: Own Survey, SPSS output, 2023

Results of the respondent's response analysis were displayed in the table for internal auditing competencies. Which are: With a mean score of 3.335 (SD = 1.065), internal auditors have a good level of professional expertise. The mean score value for internal auditors, who are regarded as professionals, was 3.623 (SD = 0.856). 2.719 (SD = 1.14) shows that internal auditors are proactive. With a mean score of 3.116 (SD = 1.11) from educational seminars they participate in for ongoing training, internal auditors. Internal auditors communicate with the auditee, which received a mean score of 2.547 (SD = 0.779), and they are adequately educated. The mean score was 2.376 (standard deviation: 0.997). Internal auditors are considered professionals, a component of the Competencies of Internal Audit test, gets a provisional score of 3.623. This suggests that the majority of those surveyed indicated they concur that internal auditors should be regarded as professionals. Internal auditors should have a sufficient education, according to the item with the lowest mean score (2.376).

Table 4.12: Summary of Descriptive Statistics for Independent Variables

	N	Mean	Std. Deviation
Impacts of internal organization	146	2.9397	1.11028
Internal Audit Quality	146	3.2370	1.08303
Management Support	146	3.0078	1.00854
Competencies of Internal Audit	146	2.9532	0.99908
Valid	146	3.0344	1.0502

Source: Own Survey, SPSS output, 2023

The above table illustrates the descriptive analysis summary result of the impacts of internal organization, internal audit quality, management support, and competencies of internal audit. Accordingly, the results indicate that impacts of internal organization summative had a mean value of 2.939 and SD = 1.11, internal audit quality had a mean value of 3.237 and SD = 1.083, management support had a mean value of 3.007 and SD = 1.008, and competencies of internal audit had a mean value of 2.953 and SD = 0.999.

The total mean score value of internal audit quality was relatively higher, at 3.237, based on the four effective internal audit elements, according to the summary result in the above table. This suggests that the majority of respondents approved of the internal audit quality metrics. It demonstrated that Commercial Nominees Plc had improved the quality of internal auditing. The results also showed that management support had a mean score of 3.007, which was relatively higher than internal audit quality. This indicates that managerial support was utilized with high-quality internal auditing at Commercial Nominees Plc. Additionally; the survey found that the internal audit competencies averaged 2.953. This suggests that the majority of respondents have less favorable opinions of Commercial Nominees Plc's internal auditing procedures.

4.2.3 Descriptive Analysis of Internal Audit Efficiency Measures

This section presents the descriptive statistics (Mean & Standard deviation) of dependent variable of the study

The table indicated that the descriptive analysis resulted in internal audit efficiency. Thus, the study found that internal audit ensures that it adds value to the business, with a mean score of 2.376 and a SD of 0.997. The internal audit improved the department's performance with a mean score of 3.335 and a SD of 1.065. Internal auditing improves organizational performance, with a mean score of 3.623 and a SD of 0.856. There are special control services in all departments of the business, with a mean score of 2.719 and a SD of 1.184. The staff of internal auditing is deemed sufficient for now, with a mean score value of 2.513 and SD = 1.293. The system of internal control operates effectively in the detection of fraud, with a mean score value of 2.616 and SD = 1.052, and the safeguards of the control system prevent illegal activities, with a mean score value of 2.869 and SD = 1.164. Specifically, Internal Audit Efficiency measures that internal audit

improves organizational performance and scored a higher mean of 3.623. This implies that the majority of the respondents agree that internal auditing improves organizational performance. The item with the lowest mean score of 2.617 refers to that internal audit, which ensures that it adds value to the business.

Generally, we can observe that for all of the internal audit efficiency scales, the mean score indicates a high level of internal audit efficiency in the case area.

Table 4.13: Descriptive analysis of Internal Audit Efficiency

Descriptive Statistics			
	N	Mean	Std. Deviation
Internal audit ensure that it adds value to the business	146	2.3767	0.99752
Internal audit improve department's performance	146	3.3356	1.06530
Internal audit improves organizational performance	146	3.6233	0.85614
There are special control services in all departments of the business	146	2.7192	1.18463
The staff of internal auditing is deemed sufficient for now	146	2.5137	1.29315
The system of internal control operates effectively in detection of fraud	146	2.6164	1.05216
The safeguards of the control system prevent illegal activities	146	2.8699	1.16420
Valid N (listwise)	146	2.8650	1.08758

Source: Own Survey, SPSS output, 2023

4.3 Analysis of Inferential statistics

4.3.1 Correlations Analysis

Correlation is the term used to measure the association or relationship between two or more variables (Marczyk, Dematteo & Festinger, 2005). The result of correlation analysis is a correlation coefficient whose value ranges from - 1 to +1. A correlation coefficient of +1 indicates that the two variables are perfectly positively related and a correlation coefficient of -1 indicates that the two variables are negatively related. While, a correlation coefficient of zero indicates that there is no relationship or association between two variables. The relationship gets stronger; the correlation gets closer to either -1 or +1. As the relationship gets weaker, the correlation gets closer to zero.

Pearson correlation coefficient is statistical measure of strength of the relationship or association between two variables. (Evans, 1996) suggests the strength of correlation as follow;

0.00 - 0.19 “very weak”, 0.20 - 0.39 “weak”, 0.40 - 0.59 “Moderate”,

0.60 - 0.79 “Strong” and 0.8 -1.00 “Very Strong”

4.3.2 Pearson's Product Moment Correlation Coefficient

Pearson’s Product Moment Correlation Coefficient was used to determine the relationship between impacts of internal organization, internal audit quality, management support and competencies of internal audit with internal audit efficiency.

Table 4.14: Correlation Analysis of internal audit efficiency

		Correlations				
		IO	IAQ	MS	CIA	IAE
IO	Pearson Correlation	1	.921**	.785**	.734**	.806**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	146	146	146	146	146
IAQ	Pearson Correlation	.921**	1	.730**	.684**	.753**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	146	146	146	146	146
MS	Pearson Correlation	.785**	.730**	1	.988**	.963**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	146	146	146	146	146
CIA	Pearson Correlation	.734**	.684**	.988**	1	.972**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	146	146	146	146	146
IAE	Pearson Correlation	.806**	.753**	.963**	.972**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	146	146	146	146	146

****.** Correlation is significant at the 0.01 level (2-tailed).

Source: Own Survey, SPSS output, 2023

The results in the table indicate that, there is positive and significant relationship between impacts of internal organization and internal audit efficiency ($r = 0.806$, $p < 0.01$), therefore, as it is cited on (Evans, 1996) r value 0.806 indicates or conclude very strong

association exist between impacts of internal organization and internal audit efficiency. The correlation coefficient of internal audit quality and internal audit efficiency also shows positive and significant relationship since the r value 0.753, $P < 0.01$. Therefore internal audit quality has also strong association with internal audit efficiency. The correlation coefficient of management support and internal audit efficiency shows positive and significant relationship of r value 0.963, $P < 0.01$. Therefore management support has also very strong association with internal audit efficiency and also the correlation coefficient of competencies of internal audit and internal audit efficiency shows positive and significant relationship of r value 0.972, $P < 0.01$. Therefore competencies of internal audit has also very strong association with internal audit efficiency

Therefore, According to Evans (1996), the result of finding shows all that impacts of internal organization, internal audit quality, management support and competencies of internal audit has a strong and very strong relationship, and with internal audit efficiency.

4.3.3 Statistical Assumption testing

There are many parametric statistical methods, such as: analysis of variance or ANOVA test, discriminate analysis, linear regression, Pearson correlation, f-test and t-test. They require that the dependent variable be approximately normally distributed for each category of the dependent variable.

Before applying regression analysis to test the effect of Independent Variables (impacts of internal organization, internal audit quality, management support and competencies of internal audit) on internal audit efficiency; Normality test and linearity test were conducted in order to assured appropriateness of data. This is because violation of these assumptions changes the conclusion of the research and interpretation of the results

The following numerical and visual outputs can be investigated: Skewness, kurtosis and Z-value that should be somewhere in the span of -1.96 to +1.96, The Shapiro-Wilk test p-value should be greater than 0.05 and the histogram, normal Q-Q plot, and box plots should visually indicate that the data is approximately normally distributed.

The Skewness and kurtosis measures should be as close to zero as possible, because a small departure from zero is therefore no problem, as long as the measure is not too large compared to this standard error.

4.3.3.1 Testing for Normality

Table 4.15: Test of Kolmogorov-Smirnov and Shapiro-Wilk

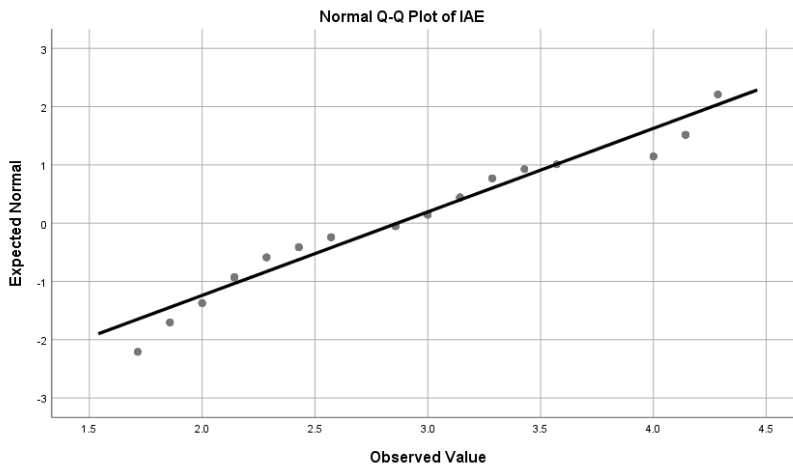
Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
IAE	.105	146	.000	.937	146	.000
IO	.222	146	.000	.837	146	.000
IAQ	.219	146	.000	.824	146	.000
MA	.101	146	.001	.945	146	.000
CIA	.132	146	.000	.923	146	.000

a. Lilliefors Significance Correction

Source: Own Survey, SPSS output, 2023

As the result from the table the Shapiro-Wilk test p-value is above 0.05 indicates that the data is approximately normally distributed. Normality can be visually assess by looking at a table of frequencies output (Garson, 2012). Therefore, there are no data problem that would lead to assumption have violated.

4.3.3.2 Testing for Linearity



Source: Own Survey, SPSS output, 2023

Figure 4.1 Normal Q-Q Plot

The above scatter plot is a check on linearity; the plotted points should follow the straight line. This indicated that there is a linear relationship between the dependent and independent variables. Similarly, the above figure shows the normal distribution of residuals around a mean of zero. Hence, the assumption was valid based on the above figure. Therefore, standard multiple regression accurately estimates the relationship between dependent and independent variables if the relationship is linear in nature (Jason & Waters, 2014).

4.3.4 Regression Analysis

Regression is particularly useful to understand the predictive power of the independent variables on the dependent variable once a casual relation has been confirmed (O'Brien & Scott, 2012). They also brief that regression helps a researcher understand to what extent the change of the value of the dependent variable causes the change in the value of the independent variables, while other independent variables held unchanged.

Moreover, Regression analysis is deal about the relationship between the dependent variable and one or more independent variables.

Table 4.16: Model Summary

Model Summary ^b									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.985 ^a	.969	.968	.12389	.969	1114.661	4	141	.000
a. Predictors: (Constant), CIA, IAQ, IO, MA									
b. Dependent Variable: IAE									

Source: Own Survey, SPSS output, 2023

According to the above table, the independent variables statistically predicted the internal audit efficiency of commercial nominee employees. The result in the model summary, $R = 0.985$, indicated that there is a very strong correlation between independent variables and dependent variables. The value of $R^2 = 0.969$ indicated that the independent variables explain or the model summary predictive ability is 96.9% of the variations in internal audit efficiency with unexplained factors of 3.1%.

Table 4.17: ANOVA of the Variables

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.439	4	17.110	1114.661	.000 ^b
	Residual	2.164	141	.015		
	Total	70.603	145			
a. Dependent Variable: IAE						
b. Predictors: (Constant), CIA, IAQ, IO, MA						

Source: Own Survey, SPSS output, 2023

The table showed the analysis of variance (ANOVA) of the variables. The analysis of variance shows the overall significance of the model based on statistical significance. The result of the analysis indicated that the F ratio (F = 1114.661, P = 0.000) and 145 degrees of freedom are statistically significant at p.05, which means that the model is statistically significant. This shows that the impact of internal audit efficiency on internal organization, internal audit quality, management support, and internal audit competencies has a statistically significant effect on internal audit efficiency. It shows that the combination of the variables significantly predicts the dependent variable.

Table 4.18: Regression Coefficients analysis

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
		1	(Constant)	-.248			.051	
	IO	.172	.030	.247	5.711	.000	.113	.232
	IAQ	.020	.026	.028	.743	.458	-.032	.071
	MS	-.597	.122	-.567	-4.915	.000	-.838	-.357
	CIA	1.470	.116	1.332	12.645	.000	1.240	1.699
a. Dependent Variable: IAE								

Source: Own Survey, SPSS output, 2023

According to the regression coefficient analysis result, the regression equation we get from model 2 was used to estimate the relationship between the independent variable

(impacts of internal organization, internal audit quality, management support, and competencies of internal audit) and the dependent variable (internal audit efficiency).

The values for the regression weights are as follows:

Based on previous studies by Goodwin and Yeo (2001), Mutchler (2003), Christopher et al. (2009), Cohen and Sayag (2010), Walter and Guandaru (2012), Baharud-din et al. (2014), Alzeban and Gwilliam (2014), Dellai and Omri (2016), and Al-Akra et al. (2016), the author used regression to assess the effect of independent variables on internal auditors' effectiveness. An illustration of a regression model is shown in Equation (1).

$$\mathbf{IAE} = C + \beta_1\mathbf{IO} + \beta_2\mathbf{IAQ} + \beta_3\mathbf{MS} + \beta_4\mathbf{CIA} + \varepsilon_i$$

$$\mathbf{IAE} = -0.248 + (0.172) \mathbf{IO} + 0.020\mathbf{IAQ} + (-0.597) \mathbf{MS} + 1.470\mathbf{CIA} + \varepsilon_i$$

Where:

- IAE* Internal auditing effectiveness
- IO* Impacts of Internal organization
- IAQ* internal audit quality
- MS* Management support
- CIA* Competence of internal audit
- ε Error term.

The above table shows the value of the regression coefficient and the constant, which is the expected value of the dependent variable when the values of the independent variables equal zero. Results indicated that all of the independent variables have a statistically significant positive relationship with the dependent variable. All results were statistically significant at p-values less than 0.05 except internal audit quality. Similarly, the study revealed that the impacts of internal organization, internal audit quality, and management support, and competencies of internal audit were significant predictors of internal audit efficiency with beta values of 0.172, 0.020, -0.597, and 1.470, respectively. The variable with the largest beta coefficient makes the strongest contribution to explaining the dependent variable (internal audit efficiency).

Therefore, the study found that competencies in internal audit are the most influential factors in predicting internal audit efficiency with a beta value of 1.470. The other three impacts on internal audit efficiency, in their descending order of standardized coefficients, are the impacts of internal organization (= 0.172), internal audit quality (= 0.020), and management support (= -0.597) that the variables are making significant to the prediction of internal audit efficiency.

In addition, the finding revealed that all of the factors of internal audit efficiency had a positive and significant relationship with internal audit efficiency except internal audit quality, whose significance p-value is greater than 0.05 in commercial nominees plc but whose p-value is 0.000, which is less than 0.05. Hence, an alternative hypothesis related to the impacts of internal organization, management support, and the competencies of internal audit was not rejected.

4.4 Summary and Discussion of findings

The mean score of the impacts of internal organization 2.939 indicates a moderate mean score, which means the impacts of internal organization at Commercial Nominees plc. Free access to senior personnel, resources, and client personnel is satisfactory. The mean of internal audit quality is 3.237, which implies a moderate mean score. This shows that the quality of Commercial Nominees Plc's internal audit's work was efficient, recommendations were implemented, and the report was accurate in a moderate manner. The mean of management support (3.007) also implies a moderate mean score. This shows that the support of Commercial Nominees Plc management and senior management supports internal audit personnel by providing access to records, resources, and training. The mean of competencies in internal audit (2.953) also implies a moderate mean score. This shows that the competencies of Commercial Nominees Plc's internal auditors are high professional knowledge, proactive training, and communication. The mean score of internal audit efficiency was 2.865, which is a moderate mean score. This result implies that employees' of Commercial Nominees plc have internal audits that add value to the business and improve departmental and organizational performance, with special control services in all departments. Based on the results in the table, the

correlation coefficient (P) between impacts of internal organization, internal audit quality, management support, and competencies of internal audit with internal audit efficiency was found to be 0.806, 0.753, 963, and 0.972 at $P = 0.000$, respectively. The findings of this study, therefore, indicate that there was a highly significant linear correlation between the four variables. This implies that the pairs of variables are very closely related. This supporting result is consistent with the findings of Cohen and Sayag (2010), who found that the IAF is more effective in the private sector than in the public sector. Their findings indicate that the effectiveness of IA in Tunisian organizations is positively influenced by the organizational independence of internal audit, the objectivity of the internal auditor, top management support, and the use of the IAE as a management sector of the organization. This study also provides additional support for Albrecht et al. (1988), Al-Twajry et al. (2003), Cohen & Sayag (2010), and Alzeban & Gwilliam (2014), who find that management support is the major determinant of the IA's effectiveness. In fact, management support is important to the success of the internal audit function in the organization. Without support from top management, internal auditing is not sufficiently objective and independent, does not have enough resources to effectively fulfill its tasks, and cannot hire proficient IA staff. Furthermore, internal auditors cannot develop their professional careers.

The model summary of multiple regression revealed that 96.9% of the variation in internal auditor efficiency is explained by the four factors of internal audit included in the study. The remaining 3.1% is explained by other variables that are not included in the model. The Anova table also revealed that the constructed model is statistically significant even at the 1% significance level. The coefficient table also indicates that the competencies of internal audit have a high impact on internal audit efficiency with a beta value of 1.470, followed by the impact of internal organization (0.172), internal audit quality (0.020), and management support (-0.597). Moreover, from the findings of this study, the coefficient table indicates that all have a positive impact, and the impacts of internal organization, management support, and competencies of internal audit have a significant impact on internal auditor efficiency, but internal audit quality is not significant.

Therefore, this study's findings assert that Commercial Nominees Plc internal auditors should consider these four important dimensions so as to increase employees' performance. However, the result shows moderate concern is given to those important dimensions by Commercial Nominees Plc's internal auditors. Therefore, it is advisable for them to give special consideration to the impacts of internal organization, management support, and the competencies of internal audit. Internal auditors should have regular access to senior personnel, easy access to client personnel, freedom to produce audit reports, communication between internal and external audits, efficient work, accurate recommendations, established objectives, senior management support, adequate resources, facilities, and vehicles, audit staff adequately equipped, communication between auditors and auditee, and adequate education.

Discussion of Hypothesis Testing

Hypothesis 1

H1: 1.Impacts of internal organization has positive and significant impact on internal audit efficiency.

Results discussion: As the table indicates, the impacts of internal organization have a positive and significant effect on internal audit efficiency, with a beta value of 0.172 and a p-value of 0.000, which is less than 0.05. This implies that, if other explanatory variables remain constant, if the mean score value of the impacts of internal organization increases by 1 unit on average, the mean score value of internal audit efficiency increases by 0.172 unit, and the relationship is statistically significant at the 5% significance level.

Decision: The researcher accepts the hypothesis of impacts of internal organization has positive and significant impact on internal audit efficiency, which means that the impacts of internal organization have a significant effect on internal audit efficiency. This shows access to senior personnel, freedom to allocate resources, easy access to client personnel, and freedom to produce audit reports without interference.

Other researchers finding: According to Dada, Raphael, and Raphael Adekola (2018), Dada, Adesodun Isaac, Adebayo, and Feyisayo, Adeyemi (2018), the study showed that internal audit function and internal audit efficiency have a positive and significant

relationship with organizational performance with t-values of 2.516 and 2.902. The study concluded that the efficacy of the control for detection and checkmating of fraudulent activities in an organization, whether public or private, which is the function of its internal audit unit, contributes to both the financial and non-financial performance of such an entity.

Hypothesis 2

H2: 2. Internal Audit Quality has positive and significant impact on internal audit efficiency.

Results discussion: As the table depicts, internal audit quality has a positive effect on internal audit efficiency with a beta value of 0.020 but a significant effect on internal audit efficiency with a p-value of 0.458, which is greater than 0.05. This implies that, if other explanatory variables remain constant, if the mean score value of internal audit quality increases by 1 unit on average, the mean score value of internal audit efficiency increases by 0.458 unit, and the relationship is statistically significant at the 5% significance level..

Decision: The researcher rejected the hypothesis that internal Audit Quality has positive and significant impact on internal audit efficiency, which means that internal audit quality has no significant effect on internal audit efficiency. This shows that the internal audit's work was not efficient, recommendations were not implemented, and its report was not accurate in achieving its objectives.

Other researchers finding: Cohen and Sayag (2010) and Dejnaronk et al. (2016) showed that performing an audit in accordance with internal audit standards affected the effectiveness of the internal audit. Mihret and Yismaw (2007) performed research that examined the impact of internal audit quality on the effectiveness of internal audits. Cohen and Sayag (2010) pointed out that the quality of the audit was evaluated by the annual audit plan, the areas audited, and regular follow-up with an internal audit.

Hypothesis 3

H3: 3. Management support has positive and significant impact on internal audit efficiency.

Results discussion: As the table depicts, management support has a negative and significant effect on internal audit efficiency with a beta value of -0.597 and a p-value of 0.007, which is less than 0.05. This implies that, if other explanatory variables remain constant, if the mean score value of management support increases by 1 unit on average, the mean score value of internal audit efficiency decreases by -0.597 unit, and the relationship is statistically significant at the 5% significance level.

Decision: The researcher accepts hypothesis that Management support has positive and significant impact on internal audit efficiency, which means that management support has a significant effect on internal audit efficiency. This shows that the senior management supports internal audit's personnel by providing them with access to records and information, adequate resources, facilities, and vehicles for audit tasks, and IT audit equipment and training.

Other researchers finding: The support of the internal audit department from the manager is a key element in accepting and appreciating the role of the internal audit department in business. Mihret et al. (2010) conducted research on public organizations in the United States. The results of the research showed that management support is the most important factor influencing the effectiveness of internal audits. Gramling et al. (2004), Salameh et al. (2011), Ahlawat and Lowe (2004), Aikins (2011), and Octavia (2013) showed that a positive attitude of managers towards internal audits plays an important role in the audit planning process and the effectiveness of internal audits. Ahmad et al. (2009), in their research on internal audits in the public sector and local government of Malaysia, pointed out that support from management is a factor that influences the implementation of audit recommendations. Dellai and Omri (2016) demonstrated the positive influence of management support for internal audits. The Board of Directors will support the approval of internal audit regulations and plans, appointments, resigning *Int. J. Financial Stud.* 2022, 10, 37, 5 of 14, and salary decisions for internal auditors. As such, Onumah and Krah (2012) found that the lack of management support and insufficient human resources in the internal audit function mainly led to the ineffectiveness of the internal audit. In addition, Alzeban and Gwilliam (2014) found that the support of management has a strong relationship with the three dimensions of auditing effectiveness.

Hypothesis 4

H4: 4. competence of internal audit has positive and significant impact on internal audit efficiency.

Results discussion: As the table indicates, competence in internal audit has a positive and significant effect on internal audit efficiency, with a beta value of 1.470 and a p-value of 0.000, which is less than 0.05. This implies that, if other explanatory variables remain constant, if the mean score value of competence in internal audit increases by 1 unit on average, the mean score value of internal audit efficiency increases by 1.470 units, and the relationship is statistically significant at the 5% significance level.

Decision: The researcher accepts the hypothesis of competence of internal audit has positive and significant impact on internal audit efficiency, which means that the competence of internal audit has a significant effect on internal audit efficiency. This shows that the internal auditors have high professional knowledge, are proactive, attend seminars for continuous training, and communicate with the auditee. They also have adequate education.

Other researchers finding: Previous studies pointed out that the competence of internal auditors is an important variable affecting internal auditor effectiveness. Al-Matarneh (2011), Mihret and Woldeyohannis (2008), and Ali and Owais (2013) suggested that measurements of the competence of internal audits are based on necessary education, professional qualifications, experience, and the number of training hours of an internal auditor, as well as the continued updating of professional training. Moreover, Fanning and Piercey (2014) pointed out that soft skills such as communication, persuasion, and interaction skills with organizational divisions are important measures affecting the effectiveness of internal audits. Al-Twajry et al. (2003) have confirmed that the effectiveness of internal auditors has been positively influenced by adequate levels of internal auditors' competence in training, experience, knowledge, and professional qualifications. Other researchers found that the lack of competence of internal auditors is a problem that negatively affects the effectiveness of internal audits in some African countries (Mihret and Yismaw 2007; Onumah and Krah 2012; Walter and Guandaru 2012).

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter focuses on the conclusions of the findings, relevant recommendations, and the chapter ends by emphasizing limitations of the study followed by future implications for researchers.

5.1 Conclusions

This study aimed to evaluate the elements influencing internal audit effectiveness in a case study using Commercial Nominees plc. The four research goals were met with success, and the findings and suggestions were given. The research systematized and determined the overview and characteristics of internal audits and presented a theoretical framework for factors affecting internal audit effectiveness, including the impacts of internal organization, the competence of the internal auditor, management support for the internal audit, and the quality of the internal audit.

This study found that the mean score of the impacts of internal organization, internal audit quality, management support, and competencies of internal audit on internal audit efficiency was moderate. The correlation coefficient between impacts of internal organization, internal audit quality, management support, and competencies of internal audit with internal audit efficiency was 0.806, 0.753, 963, and 0.972.

This study found that competencies in internal audit had a high impact on internal audit efficiency, followed by internal organization, internal audit quality, and management support. To increase employees' performance, auditors should have regular access to senior personnel, easy access to client personnel, freedom to produce audit reports, communication between internal and external audits, efficient work, accurate recommendations, established objectives, senior management support, adequate resources, facilities, and vehicles, audit staff adequately equipped, communication between auditors and auditee, and adequate education.

5.2 Recommendations

Internal audit needs to adopt a new mindset in view of the many changes that are taking place in the business environment. In the prevalence of financial scandals, an intense focus on corporate governance, effective oversight, and sound internal controls would assist an organization.

- ✚ The internal audit organization has to be improved, and the internal audit manager should report to the board (the audit committee).
- ✚ Internal audits should get support from management. Audits should be independent and given the correct auditing tools.
- ✚ Top management should accept audit findings and correct errors rather than view audits as fault-finders.
- ✚ Audit staff should be qualified and adequately remunerated.
- ✚ Internal organizations should demonstrate commitment to implementing audit findings.
- ✚ Management should respond to all findings and recommendations in time.
- ✚ Management should cooperate with auditors.
- ✚ The organization should give support and allocate adequate resources to internal auditing.
- ✚ Management should accept auditors as improvers of the system rather than witch hunters.
- ✚ Auditors should always be objective and do their job with quality.
- ✚ Auditors should be friendly and approachable and constantly strive to improve their competency.
- ✚ Auditors need to have knowledge of the area being audited.

5.3 Limitation and future implications for researchers

The research, however, has a number of drawbacks. First off, the research subject was limited to evaluating the efficiency of one financial institution. Second, in contrast to earlier research on internal audits, the data used in the sample for this study were somewhat scarce. Therefore, the research was limited to gauging the effectiveness of a

single financial institution and used scant data compared to past research on internal audits.

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Appendix A

Questionnaire:

Confidential Clause

My name is **Mintesinot Girma**. I am currently carrying out thesis research titled **“Factors affecting internal audit efficiency: The Case of Commercial Nominees”** as a partial fulfillment of Master of Accounting and Finance at St.Mary University, School of Graduate Studies. To successfully conduct this research, it is mandatory to look into the issues from different perspectives by involving employee and administration staff. In this respect, you are the one who can give the correct information; hence I kindly request you to respond to the questionnaire. Please be informed that your responses will be safeguarded with strict confidentiality and used for this research purposes only. I would like to express my heartfelt appreciation in advance for your cooperation and sparing some of your precious time.

Instruction: Please Tick (✓) in the space provided. Feel free to tick on more than one alternative, and it is also possible to write your opinion on the spaces provided.

I. Demographic Information

1. Address Sex: - A. Male B. Female
- Age: - A. 20-30 B. 31-40
- C. 41-50 D. Greater than 51
2. Marital status A. Single B. Married
- C. Divorced D. Widow
3. Educational background
- A. Certificate B. Diploma C. BSC/BA Degree
- D. Masters E. PhD and above
5. How long have you been working in?

- A. Less than a year
- B. 1-5 year
- C. 6-9 year
- D. 10-14 year
- E. More than 15 years

6. Department;

- A. Administration and Finance officer
- B. Directors
- C. Managers
- D. Accountants
- E. Auditors
- F. Service supervisors and other outsourced
- G. Others

II. Rating of List of Variables Questions.

The questions in this section concern characteristic related to interpersonal factor, objective setting and ratter accuracy and their effect on employee performance. Using the key below, please indicate the extent to which you agree with each statement by rating the question on a scale of 1 to 5, where **1= strongly disagree, 2= disagree, 3= neutral, 4= agree, 5= strongly agree**

INSTRUCTIONS

✚ The variables were rated on the Five Point Likert Scales which have importance rating values from 1 to 5. Please, give your details by ticking one of the boxes provided.

For rating 1 strongly disagree, for rating 2 disagree, for rating 3 neutral, for rating 4 agree and for rating 5 strongly agree

✚ Ticking in more than one box on the same row of variable is not allowed.

✚ You can use any symbol you want for ticking (X...).

Internal Organization

Item	1	2	3	4	5
Have no obstruction in obtaining audit evidence (fraud-related matter etc.)					
Have regular access to senior personnel					
Free to allocate resources, determine audit scope					
Have easy access to client personnel, attention, and assistance when needed					
Freedom to produce audit reports without interference/intimidation					

Internal Audit quality

Item	1	2	3	4	5
There is communication between internal and external audit					
Internal audit's work was efficiently performed					
Internal audit's recommendations can be easily implemented					
Internal audit's report is accurate					
Established internal audit's objectives were accomplished					

Management Support

Item	1	2	3	4	5
Senior management supports internal audit's personnel					
Internal audit department is large enough to efficiently carry out its duties					
Senior management is aware of internal audit's needs					
Receive cooperation, access to records and information from management					
Provision of adequate resources/facilities/vehicle for audit task					
Audit staff adequately equipped with current skills and audit trends					
Provision of IT audit equipment and training on IT audit					

Competence of Internal Audit

Item	1	2	3	4	5
The professional knowledge of internal auditors is high					
Internal auditors is considered as professionals					
Internal auditors are proactive					
Internal auditors attend educational seminars for continuous training					
There is communication between internal auditors and auditee					
Internal auditors has adequate education					

Internal Audit Efficiency

Item	1	2	3	4	5
Internal audit ensure that it adds value to the business					
Internal audit improve department's performance					
Internal audit improves organizational performance					
There are special control services in all departments of the business					
The staff of internal auditing is deemed sufficient for now					
The system of internal control operates effectively in detection of fraud					
The safeguards of the control system prevent illegal activities					