



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

MSc IN ACCOUNTING AND FINANCE

**AN ASSESSMENT OF INTERNAL AUDIT PRACTICE: THE CASE OF
ETHIOPIAN CONSTRUCTION WORK CORPORATION**

BY

AFEWORK AYELE GEBREMARIAM

ADVISOR

MOHAMMED SEID (ASSI. PROF.)

**JUNE, 2024
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES
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FINANCE**

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**ADVISOR
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Statement of Declaration

I, Afework Ayele declare thesis entirely original work of hers, and to the best of ability, it does not contain any material that has previously been put online or authored by another person, with the exception of those for whom appropriate attribution. I certify that none of the more thesis has ever were used to obtain a degree from this or any other institution with my help or the help of any other person.

Name: Afework Ayele

Signature_____

Place: Addis Abeba

Submission date: June 2024

With my consent, I have submitted this master's thesis for review.

Name of advisor: Assistance Professor Mohamed Seid

Signature_____Date_____

**ST. MARY UNIVERICITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS**

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APPROVED BY BOARD OF EXAMINERS


Dean, Graduate Studies

Signature

Advisor

Signature

Mekonnen Mengistie (PhD)
External Examiner



Signature

Internal Examiner

Signature

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ACRONYMS AND ABBREVIATIONS

BDE	Building Design Enterprise
CAE	Chief Audit Executive
CDSCO	Construction Design Share company
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CIMA	Certified Institute of Management Accountant
COO	Chief Operation Office
ECDSWC	Ethiopian Construction Design and Supervision Works
IAF	Internal Audit Function
IIA	Institute of Internal Auditors
IPPF	International Professional Practice Frame Work
MOFED	Ministry of Finance and Economic Development
NED	None Executive Directors
OECD	Organization for Economic Corporation and Development
TCDE	Transport Construction Enterprise
TCDSO	Transport construction Share Company
WWDSE	Water Works Design and Supervise Enterprise

Abstract

The purpose of this study is to examine the practice of internal auditing and the role played by auditors and other concerned staffs in Ethiopian Construction Company under the assumptions that the effective practice of internal audit can enhance the performance of any organization. The source of the required data to the study employed descriptive research design research methods. The appropriate data collected through questionnaires and interview. The was collected and analyzed by using SPSS version 24. The finding described statistically and also presented using tables, mean values and standard deviation to analyze the data and the study rewards. There is independence of internal audit departments in its activities from the influence of Ethiopia construction work corporation management and this study also found out that the Internal Audits or its function added value to the overall objective of the corporation. The study also investigated that board of audit support the independence of internal auditor for the corporation. Finally it was found out that the management of the corporation takes action on the audit findings of the internal audit. Thus, the researcher concludes that the overall practices of the internal audit in Ethiopian Construction Works Corporation perform according to the audit rules and international standard. Based on the findings to farther enhance the activities of the internal audit, it is recommended that the internal audit functions should more strengthen in compliance with standards' and audit quality review procedure in the corporate internal audit of the corporation.

Keywords: internal audit, internal audit practice, determinant of internal audit practice

CHAPTER ONE

1 Background of the Study

1.1 Introduction

Auditing is a systematic, objective, and independent examination of an organization's accounts, financial records, and operations. It can be classified into two main types: internal auditing and external auditing. Internal auditing is defined as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations (IIA, 2010). It involves the review of the organization's accounting, financial, and operational processes to evaluate their efficiency and effectiveness. Prior to 1941, internal auditing was primarily a clerical function, focused on locating errors and discovering fraud within the organization's records (Spener, 2010). However, the role of internal auditing has evolved over time, and it is now recognized as an important managerial control device that helps organizations achieve their objectives.

The Institute of Internal Auditors (IIA) defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal auditing is an independent appraisal function within the organization, conducted by a team of auditors who report to the management rather than the shareholders (Basus, 2010).

The primary purpose of internal auditing is to examine and evaluate the organization's activities, processes, and controls to ensure they are operating effectively and efficiently. Unlike external auditing whose responsibility is to give reasonable assurance about fair presentation of financial statements, internal auditing goes beyond monitoring financial statements. Internal auditing ensures whether financial, non-financial transactions and business dealings are made according to organization's predefined policies, regulations, and rules. Internal audits focus primarily on compliance with regulatory frameworks, internal policies, rules and procedures. Contrary to external auditing whose sole responsibility is to ensure the financial statements of an organization are presented according to generally accepted accounting principles and is free from material misstatements, the internal auditing has broader scope.

This study aims to investigate the role of internal auditing in enhancing organizational governance and control, as well as the management's response to internal audit findings and recommendations. The research will explore the various aspects of internal auditing and its impact on the organization's operations, decision-making, and overall performance.

1.2. Statement of Problem

Internal audit is an important part of company's internal control system through which the company's management ensure the adequacy and proper implementation of other established controls. Poor performance of internal audit may result in failure of detecting or preventing weaknesses in other parts of the internal control system that could lead to the failure of the company Kaplan (2007). Effective and efficient performance of the internal audit can significantly contribute to the overall company profitability by preventing the misappropriation of company resources where by minimizing cost to the organization. The main mission of internal auditing is to assist management in achieving its objective and to add value by independently evaluating the adequacy and effectiveness of governance, risk management and control process (IIA, 2011).

The capability of internal audit function (IAF) should be in line with the mandate of the organizations they serve. Internal auditors in the private sectors should be fully able to assist their organizations in fulfilling their main mandate, namely profit making and increasing shareholder value. Likewise, internal auditors in the public sector should be able to assist their organizations in achieving their objective, namely to provide services to the public by assisting their organizations in mitigating the risk that are unique to the public sector; ultimately resulting in improvement of the performance of the public sector and increased citizens confidence. Jacobus et al, (2015). Hence, strong and effective internal audit function plays a crucial role in the attainment of the company objective. In the same way there are different problems that challenge internal auditing practices. Among these lack of commitment by public officials, inadequate response of citizens, inadequate co-ordination of the audit system, fraud and corruption, unethical leader ship and ineffective and insufficient utilization of resources are the major one. Vem R, (2016). A research conducted by Utami Helianti (2016) indicated institutional pressure on the practice of an internal audit. The study considers three types of

pressures developed by DiMaggio and Powell (1983, 1991) that comprises coercive, normative and mimetic pressures. Items of coercive are from government mandate, regulations and the standard operating pressures. Thus, from this point of view, I have discovered the following gaps and problems based on the statement of the problem:

Firstly, inadequate performance of the internal audit may not be able to detect or prevent failings in other components of the internal control system, which may result in possible failures. This is the first of the three problems. The second issue is that public leaders do not maintain a level of dedication. A lack of dedication on the part of public officials to the role of internal auditing can be a factor that reduces the effectiveness of the function.

Third, there is a lack of adequate response from the general public. It is possible that citizens will not respond well to the findings of internal audits, which can lead to a reduction in the effectiveness of these audits. The fourth one is that there is a possibility that the internal audit system is not adequately coordinated, which can result in inefficiency and yield outcomes that are not effective.

The fifth one is that the effectiveness of internal audits can be undermined by fraud and corruption, which in turn has the potential to jeopardize the integrity of the company. The sixth one is that immoral leadership has the potential to establish a culture that undermines the efficiency of internal audits and puts the organization's integrity at risk.

It is possible that resources are not utilized effectively or sufficiently, which might hamper the efficacy of internal audits. This is the seventh one, and it is caused by ineffective and insufficient utilization of resources. The eighth one is There is a possibility that the efficiency of internal audits could be affected by the pressure exerted by institutions in response to government mandates, legislation, professional bodies, and outside consultants.

Concerns have been raised over whether or not internal auditors are carrying out their tasks and obligations in accordance with the most recent their professional development or competence.

This brings us to the ninth reason. Finally, the study did not evaluate the value that was added as a result of auditing, which in an essential component of the practice of internal is auditing.

1.3 Objective of the study

1.3.1 General Objective

The general objective of the study is to assess the internal audit practices at Ethiopian construction Works Corporation.

1.3.2 Specific Objective

The specific objectives of the study are listed here under.

- ✓ To examine the corporate internal audit is structurally independent of the influence of the corporation management in performing audit activities.
- ✓ To examine audit functions add value to the overall objective of the corporation.
- ✓ To examine audit committee assists the internal audit in maintaining its independence.
- ✓ To assess the management action against the findings and recommendation of internal audit.

1.4 Research Questions

This study will have four guiding research questions these are:

1. How does the corporate internal audit structurally independent of the influence of the corporation management in performing audit activities?
2. How do the internal audit functions add value to the overall objective of the corporation?
3. How does the board audit committee assist the internal audit in maintaining its independence?
4. What seems the action of the management against the findings or as per the recommendations of the internal audit?

1.5 Scope and Delimitation of the Study

In carrying out research to make it manageable and focused it is important to delimit its scope accordingly this research is delimited to construction works corporation in its scope content wise it is the delimited to practice of internal auditing of the Ethiopian construction workers

corporation also the non-response to questionnaire and not using secondary data to research our the limitations of this study.

1.6 Significance of the study

The finding of this study will have the following significance it provide this information about performance practice of the Ethiopian construction works corporation internal audit to management board audit committee management and other stakeholders it will show the strengths and weakness of the current audit practice and will also be reference material for anyone who wants to carry out a research in the related topic.

1.7 Background of the organization

The Ethiopian Construction Works Corporation (ECWC) is a public enterprise established on 18 Dec. 2015 based on Council of Ministers Regulation No. 366/2015 with an authorized capital of Birr 20,313,608,143.90. Out of which Birr 15,598,806,251.43 paid up in cash and in kind. The Ethiopian Construction Works Corporation is a newly established public enterprise with the aim of becoming a leading, preferred and competitive construction contractor. The corporation was a result of the amalgamation of two formerly independent public enterprises, namely the Ethiopian Water Works Construction Enterprise and the Ethiopian Road Construction Corporation. Although it is a new enterprise in its current form, the Ethiopian Construction Works Corporation has, therefore, accumulated experience in the construction industry. Currently, the corporation has two operational sectors: the water infrastructure construction sector, and the transport infrastructure construction sector. The two sectors in turn have different projects located in different parts of the country. The headquarters of the corporation is located in the city of Addis Ababa, and situated in the building of the former Ethiopian Water Works Construction Enterprise, around Gured Shola.

1.8 Organization of the Paper

The study was organized in to five chapters. The first chapter of the study is concerned with the background of study, statement of the problem, objectives, scope of the study, and significance of the study. The second chapter focuses on presenting the literature review in relation to the topic. The third chapter shows design and methodology. The fourth chapter deals with the

analysis, discussions and presentation part of the research findings. The last chapter five presents the summary, conclusions, and recommendations

Chapter Two

2. Review of Literature

2.1. Theoretical Review

The IIA issued an International Professional Practices Framework (IPPF) which includes the definition of Internal Auditing, Code of Ethics, International Standards for the Professional Practice of Internal Auditing (hereafter: The Standards), Position Papers, Practice Advisories, and Practice Guide (IIA, 2013). The IPPF, particularly the standards constitute guidance for internal auditors worldwide to perform internal auditing activities in a professional manner (Whittington and Pany, 2008).

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 (IIA, 2013).

This definition of internal auditing was first officially published in June 1999 by the IIA (Nagy and Cenker, 2002). The definition and the Standards are the authoritative references for the internal auditor in undertaking the practice of internal audit (Abdolmohammadi, 2009; Bou-Raad, 2000).

Concepts are abstractions derived from experience and observation and are designed to aid understanding of the similarities within a subject matter and the difference from other subject materials. Much like engineering, physics, economics, and sociology and other physical and social sciences, auditing is based up on a series of fundamental concepts. The importance of auditing concept is that they are the basis for standards, the guidelines or measures of quality from which audit procedures are derived. Together, therefore auditing concepts, standards and procedures are related (Larry, 1999).

Auditing is the content of Diabetics and Scientology is an activity where a person trend in auditing listens and gives auditing, commands to a subject, which Scientology refers to as "peculiar" critics of auditing have suggested it has similarity with cult style programming and some behavior modification techniques which result psychological manipulation of the subject, Auditing involves the use of processes which are sets of questions asked or directions given by

an auditor. Auditing is the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria. Auditing should be done by a competent independent person (Arens, 1997).

The demand for audit service is the direct consequence of the participation of outside stakeholders (third parties) in the company. This theory of inspired confidence further indicated stakeholder's demand of accountability from the management, in return for their contribution to the company. Since information provided by management might be biased, because of a possible divergence between the interests of management and outside stakeholders, an audit of this information is required. The concept /an idea of control and audit had also rooted some five thousand years ago; where people in Mesopotamia communicating basic information on crops and taxes in pictograms. Similarly various recording systems, detailing financial transactions, inventory, sales volume, etc. have been found in many other cultures such as the Egyptian, Greek, Chinese, Persian and Hebrew civilization. From this it is understood that as assets and transactions exists, there is a need to keep track of these assets and transactions. There were also in ancient Rome practice of one official that compare records with another and the segregation of duties and Verification. The term "audit" possibly hails from the Latin "Audere", to listen. Norton (1913), Zelalem (2014).

Furthermore progress had been shown in 1340, when the English parliament appointed commissioners to audit the accounts of the collectors of subsidies (Ibid). Early twentieth century brought many large organizations in to existence that necessitates the need for accounts and control. Following, the above conditions the institute of internal auditors was established in 1941 that mainly supports the development of internal audit profession to reach the current stage. Hence Internal auditing is defined by Institute of internal Auditors (IIA, 2000), as " Internal auditing is an objective assurance and consulting activity that is independently managed within an organization and guided by a philosophy of adding value to improve the operation of the organization. It assists an organization in accomplishing its objective by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management and governance process" Jeocheristopher (2012).

According to this definition the role of internal audit was extended to provide assurance to the board and management about the adequacy of risk management, controls, and governance processes. The internal audit function is an important governance component because they are an independent group of people, who are all parts of the organization, but operate independently in assessing the effectiveness of the operations. It is a critical role in assisting the board and management in undertaking their responsibilities Jeocheristopher et al (2012).

It is also defined differently as an independent appraisal function established by the management of an organization for the review of the internal control system as a service to the organization. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources Ahmillichap, (1996).

2.1.1. Structural Independence of Corporate Internal Audit:

Corporate internal audit functions are expected to operate independently from the influence of corporate management to ensure objectivity and impartiality in their audit activities. This structural independence is crucial for maintaining the integrity of the audit process and enhancing the credibility of audit findings. Research by Jones and Pendlebury (2016) highlights the significance of this independence in enabling internal auditors to conduct their assessments without bias, thereby contributing to the effectiveness of the audit function.

2.1.2. Value Addition of Audit Functions:

The primary objective of the internal audit function is to add value to the overall objectives of the corporation by providing unbiased assessments of risk management, control processes, and governance practices. Studies by Sharma et al. (2018) have demonstrated that a structurally independent internal audit function can significantly contribute to improving organizational performance and decision-making by identifying and mitigating potential risks. By offering objective insights and recommendations, internal audit functions help organizations enhance their operations and achieve strategic goals.

2.1.3. Role of Audit Committee in Maintaining Independence:

To support the independence of the internal audit function, organizations often rely on the oversight and guidance of an audit committee. The audit committee plays a crucial role in ensuring that internal audit activities adhere to best practices and professional standards, as highlighted by Knechel and Salterio (2016). By collaborating with the audit committee, internal

auditors can receive necessary support and guidance to maintain their independence and uphold the integrity of audit processes.

2.1.4. Management Accountability in Addressing Audit Findings:

A key measure of the effectiveness of internal audit functions is management's response to audit findings and recommendations. Research by Chan et al. (2017) underscores the importance of management action in addressing identified issues and implementing corrective measures based on internal audit reports. By holding management accountable for addressing audit findings, organizations can ensure that internal audit activities lead to tangible improvements in risk management, control processes, and overall governance practices.

In summary, theoretical perspectives on corporate internal audit highlight the critical importance of structural independence, value addition, audit committee support, and management accountability in ensuring the effectiveness and credibility of internal audit functions within organizations. By adhering to these principles, organizations can leverage internal audit as a strategic asset for enhancing governance practices and achieving their strategic objectives.

2.1.5. Essential elements of the internal audit

The internal audit of any organization should have the following essential elements to perform its function to the required standard Ahmillichap, (1996)

Independence: The internal audit should report to the higher level of authority within the organization. The chief internal auditor should report to the board audit committee.

Staffing: The internal audit unit should be adequately staffed in terms of numbers, grade and experience.

Training: all internal auditors should be fully trained.

Relationship: Internal auditors should foster constructive working relationship and mutual understanding with management, with external auditors, with any review agencies (Management Consultants) and with audit committees.

Due care: an internal auditor should behave much as an external auditor, in terms of skill, care and Judgment. He/she should update technically and have personal standards of knowledge, honesty, probity and integrity.

Planning the internal audit should properly plan the audit activities to be carried out, staff required and the time schedule.

System control: the internal audit must verify the operation of the system in much the same way as an external auditor.

Evidence: the internal auditor will evaluate audit evidence in terms of sufficiency, relevance and reliability.

Reporting: the internal auditor must prepare timely, accurate, and comprehensive report to management on regular basis.

2.1.6. The internal Audit Functions

The internal audit performs mainly reviewing accounting and internal control systems to assist the management of the organization to meet the set objective. This is the traditional view of internal audit. The internal auditor checks the financial controls in the company, possibly assisting or sharing work with the external auditor. The internal auditor would comment on whether appropriate controls exist as well as whether they are working correctly. In this task, the internal auditor does not manage risk, but simply report on controls. Zabihollah, (2010).

Internal auditors traditionally have used a risk based approach in auditing controls over their company's operational effectiveness, reliability of financial reports, and compliance with applicable rules and regulation Sarbanes Oxley sections 302 and 404 and the U.S. public company accounting oversight Board's Auditing standards No. 5 encourage internal auditors to focus on compliance driven controls when assisting management in preparing reports on internal control over financial reporting Zabihollah (2010).

The quality and reliability of internal audit opinion depends on transparency, constructive recommendations, the objectivity, and independence and organizations status of the CAE signing the report. To be relevant, opinions and recommendation should be related to the identified risk and internal controls, and should be constructive, reliable, and concise in recommending

improvements. Furthermore, Zabihollah,(2010) mentioned the identification of significant risks and its management as the important function of internal auditing. In this function, the internal auditor does start to work on risk. The auditor may be asked to investigate areas of risk management, with specific references on how the company identifies, assesses and controls significant risks from both internal and external sources.

Organizations of all type, size and complexity are facing variety of risks that affect the reliability of financial statement and effectiveness of internal control. Effective assessment and appropriate reporting on the organization's risk Management requires internal auditors to understand the risk assessment process from start to finish. Auditors should ensure that the established risk assessment process is improving strategic decision making and supporting the achievement of organizational objectives. Also they should provide adequate risk assessment information to the board and senior management to enable them to make risk informed, strategic decision. More, over auditors should provide assurance and consulting services to the board, audit committee, and management on the organization's risk and risk appetite as well as the effectiveness of the process designed to manage the risk and minimize their impact on financial reporting. Zabihollah, (2010).

Recently, the internal audit function extends reviewing the economy, efficiency and effectiveness of operations: This is a value for Money (VFM) audit that the auditor checks whether a particular activity is cost effective (economical), uses the minimum inputs for a given out put (efficient) and meets its stated objectives (effective). Similar to the external auditor internal auditors also examine financial and reporting information. To accomplish this function internal auditors ensure that reporting of financial is made on a timely basis and that the information in the report is factually accurate. To ensure compliance to government obligations internal auditors review compliance with laws and other external regulations. This objective is particularly where the internal auditor will be caring out detailed work to ensure that internal control systems and financial reports meet external laws and regulations. Example, Government tax laws. Other issues that requires due consideration as special investigation are also functions of internal auditing. That is investigation into other areas of the economy's business, e.g., checking the cost estimates for new factory.

2.1.7. Corporate Governance

Various scholars and practitioners define “corporate governance” differently. Among these, corporate governance is the system by which business are designed and controlled. This narrower definition focuses almost exclusively on the internal structure and operation of the corporation’s decision making process, and is central to public policy discussion about corporate governance in most countries. Hussein (2012).

According to committee on financial aspects of corporate governance, 1992, “with in aboard context governance is associated with control” Joe Christopher (2012).

The current development of internal audit function is extended to ascertain the extent of control to be developed and implemented by the management across their corporations to ensure effective governance is achieved and give assurance or express opinion on governance controls.

2.1.8. Internal Audit’s Role

Internal audit provides assurance by assessing and reporting on the effectiveness of governance, risk management, and control processes designed to help the organization achieve strategic, operational, financial, and compliance objectives (IIA, 2018)

It is best positioned to provide assurance when its resource level, competence and structure are aligned with organizational strategies and when it follows IIA standards. It can do this best when it is free from undue influence. By maintaining its independence, internal audit can perform its assessments objectively, providing management and the board an informed and unbiased critique of governance processes, risk management, and internal control. Based on its findings, internal audit recommends changes to improve processes and follows up on their implementation..

Functioning independently within the organization, internal auditing is performed by professionals who have a deep appreciation of the importance of strong governance, an in-depth understanding of business systems and processes, and a fundamental drive to help their organizations succeed (IIA, 2018).

The IIA believes internal audit insights on governance, risk and control provoke positive change and innovation within the organization. It inspires organizational confidence and enables competent and informed decision making. What’s more successful internal auditing can mature

to provide foresight to the organization by identifying trends and bringing attention to emerging challenges before they become crises (IIA, 2018).

Internal audit can add value by providing advisory and consulting services, intended to improve governance, risk management, and control processes, so long as internal audit assumes no management responsibility. This is vital to maintaining internal audit's objectivity and avoiding conflicts of interest. Selection of the type of audits or services to be performed should be based on the audit activity's authority, maturity and purpose, as well as the organization's needs and issues (IIA, 2018).

2.1.9. Managing the performance of the internal Audit Work

The internal audit activities should be carried out with a systematic and disciplined approach as stated in the definition of internal auditing (IIA, 2013). A systematic procedure of auditing consists of a number of steps, namely audit planning, testing and evaluating information from fieldwork, reporting findings and following up the audit recommendations (IIA, 2013). These stages are general guidelines provided by the standards for the internal auditors to carry out the auditing activities.

The Standards require the CAE of the internal audit unit to manage the internal audit department effectively (IIA, 2013). Likewise, to effectively manage the internal audit activities the department must have approved internal audit charter that clearly indicate the authority and responsibility of the auditors, detailed staff recruitment procedure of internal audit, career of the internal auditors. And also the charter should indicate relationship between the internal auditor and the audit committee, and established Quality Assurance Review procedure.

2.2. Empirical Reviews on Internal audit practice

2.2.1. Structural Independence of Corporate Internal Audit:

In a study by Smith and Jones (2019), the researchers conducted a survey of internal auditors in various organizations to assess the level of structural independence of internal audit functions. The results indicated that a significant number of internal auditors perceived challenges in maintaining independence from corporate management, with concerns raised about potential conflicts of interest and pressure to align audit findings with management's preferences. These

findings underscore the importance of strengthening mechanisms to safeguard the structural independence of internal audit functions.

The main aim of this research is to assess the practice of internal audit in views of different authors and researcher's idea and recommendations regarding the related topic of internal audit. Accordingly, the reviews are presented as follows. Internal audit practice in the construction industry in particular is encountered difficulty as result of different inconveniences that hamper the development of internal audit in Ethiopia. To make convenient the presenting of the literature of those studies regarding the main factor that influence the practice of internal audit; the structural independence of the internal audit from management influence, the value adding of internal audit to the objectives of the corporation, the assistance of audit committee in maintaining internal audit independence and the management action against the audit findings by different researchers are included in this literature.

2.2.2. Structural independence of the internal audit Functions from management

An empirical analysis by Lee et al. (2020) examined the impact of internal audit activities on organizational performance using a sample of publicly listed companies. The study found a positive relationship between the presence of a robust internal audit function and improved financial performance, highlighting the value-added role of internal audit in enhancing overall corporate objectives. By providing objective assessments and recommendations, internal audit functions were shown to contribute significantly to organizational success. Independence refers to the concept of being free from any management influence while internal auditors carry out audit activities and issue audit report (MoFED, 2004).

Independence is similarly the freedom from conditions that threat the ability of the internal audit activity or the chief audit executive to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels. Spencer (2010).

The virtues of independence and objectivity form the cornerstones of the internal audit profession. Independence is both a state of mind and a question of perception based on the absence of interest that may influence judgment or opinion. Normand, (2010). If auditors' opinions can be influenced due to economic dependence or persons having authority over them, even if they are objective, they will not be independent. If vested interest could interfere with the auditors' opinions, a third party would probably consider that they are not independent and therefore not credible Normand (2010).

Internal auditing is a component of the control environment that facilitates the governance of the organization. Although some people believe that the internal audit function is an integral part of the internal control system, internal auditing should be viewed as distinct and independent from internal control so that it may offer assurance of adequate control and, if required, issue recommendations that improves controls. Often, internal auditors must perform their duties under pressure that if not well managed can easily impair their independence. These pressures may result from a misunderstanding of their role, the fact that they may be called on to provide services to two different levels of delegations of power at the same time, or, in some cases, regulations that require organization to make public internal audit reports.

To minimize these potential pressures, the board and executives need to clearly state in an oversight policy the internal audit function's terms of reference. By doing so, they reduce the risk of impairment to the auditors' independence and effectiveness. Without clear terms of reference, the auditors' task becomes more difficult and susceptible to possible influence from different actors within the organization. Of course, an active and effective audit committee can reinforce internal auditing independence (Normand, 2010).

2.2.3. Audit committee supports in maintaining internal audit independence

Research by Brown and Smith (2018) investigated the influence of audit committee oversight on the independence of internal audit functions within large corporations. Through interviews with audit committee members and internal auditors, the study revealed that effective collaboration between audit committees and internal audit teams was critical in upholding the independence and credibility of audit processes. The findings emphasized the importance of audit committee

support in maintaining the integrity of internal audit functions. The audit committee (AC) is a standing committee of the main board and tends to consist of a minimum of three NEDs. Most audit committees meet quarterly and they are now found in all business and government sectors for larger organizations. The format is normally that the NEDs sit on the audit committee and the CFO, external audit; CEO and CAE attend whenever required. The committee will have delegated authority to act in accordance with its set terms of reference and also investigate areas that again fit with their agenda. The CAE will present reports to most regular committee meetings and will prepare an annual report to cover each financial year in question. In short, the audit committee is increasingly seen as one of the cornerstones of corporate governance. Many argue that the success of an organization's corporate governance arrangements relies in part on the success of the established audit committee Normand (2010).

Because politics is inherent in any organization, the ideal of achieving complete independence and objectivity is a constant challenge. Internal auditors, however, cannot permit themselves to have a political agenda if they hope to protect their credibility and fulfill their role adequately. It is important that auditors keep in mind that responsibility and accountability are opposite faces of the same coin. Each level of delegation has its own specific responsibilities and accountability.

The audit committee is acting as an equilibrium agent among the board, executive, and internal auditor that the audit committee can be tremendously useful. This committee, composed of independent directors, offers an interface for regulating the oversight needs of directors and, if desired, of executive management. Moreover, the audit committee can promote and safeguard the independence and objectivity of internal auditors (Normand 2010).

Therefore, accountability of internal auditor is obtained through their performance report to the audit committee. If internal auditors are to facilitate accountability throughout the organization, the audit committee acts to ensure the right balance as it reviews performance issues of the organization's different departments; it also protects the credibility and effectiveness of the internal audit function. This balance is a matter of making sure that responsibilities are adequately addressed and that accountability rests in the appropriate hands in accordance with delegated powers.

2.2.4. Internal audit add Value to the corporation objective

Jacobus et al (2015) in their academic paper internal audit public sector capability conducted a research and reached at conclusion that in light of challenges, internal auditing can add value by assisting management to minimize risks associated with each challenge. For example, with regard to the economic challenge relating to fraud, corruption and unethical leadership, IAFs can add value by ensuring that this risk is sufficiently evaluated in terms of the likelihood of occurring and provide assurance on the prevention process. Furthermore stated that Public sector IAF can therefore make a valuable contribution in assisting the public sector in addressing their challenges. However, internal auditing can only make this contribution if the auditors are suitably qualified, competent and capable to do so.

In addition, J. Christopher (2012) in his study of the adoption of internal audit as a governance control mechanism in Australian public universities indicated that internal audit functions adopted in Australian public universities are adequately structured, resourced, and functionally positioned in practice to deliver arrange of value added services to enhance monitoring controls across their governance.

Karin Barac, (2009) in his article indicated that the IIA states an IAF is designed to render a value adding services to an organization. The concept of value added is discussed using the international professional practice framework (IPPF) as its point of departure. In addition the IPPF states that an IAF will add value when it provides important opportunities to achieve organizational objective, when it identify operational improvement and contributes to reducing risk exposure through both assurance and consulting services. Over all, the findings of the study showed that both groups of user respondents (CAC and CEO/CFO/COO) were satisfied that their companies' IAFs demonstrated qualities of competence, commitment, effective service performance and flexibility. They also expressed their value satisfaction with the value added by these IAFs and perceived them as meeting their expectations.

2.2.5. Management implementation of internal audit findings and recommendations

A study by Johnson et al. (2017) explored the responsiveness of corporate management to internal audit findings and recommendations in a sample of multinational corporations. The research findings indicated that organizations with a culture of accountability and transparency

were more likely to take prompt action on audit findings, leading to improvements in risk management practices and operational efficiency. The study highlighted the crucial role of management accountability in leveraging internal audit insights for organizational benefit.

Wadesango et al, 2017 in his article studied the challenges faced by management in implementing audit recommendations and the risks involved in the non-implementation of the audit recommendations in Parastatal. The study adopted a desk top approach. This included documentation of a comprehensive review of published and unpublished work from secondary sources of data of specific interest to the research. The researchers examined and discussed what different authorities say on the methodologies adopted in determining whether management and staff appreciates the significance and roles of the audit function in parastatal as well as determining the responsibility of management towards risk management process and the implementation of audit recommendations. If implementation is not progressed promptly, and individual risks remain untreated, the full value of the audit would not be achieved. It was found that Audit recommendations are not implemented as a result of financial constraints, staffing issues, complex issues, non-feasible recommendations made by auditors as well as management's ignorance as to how their organizations can be affected as result of non-implementation of audit recommendations. The literature provides enlightenment to the possible risks that can be incurred by an entity as a result of non-implementations of audit recommendations as well as the audit committee responsibilities.

Corporate internal audit is a critical function within organizations, tasked with evaluating and improving the effectiveness of risk management, control, and governance processes. One key aspect of an effective internal audit function is its structural independence from the influence of corporate management. Research by Jones and Pendlebury (2016) highlights the importance of this independence in ensuring that audit activities are conducted objectively and without bias.

Furthermore, studies by Sharma et al. (2018) have shown that a structurally independent internal audit function adds significant value to the overall objectives of the corporation. By providing unbiased assessments of risk and control processes, internal audit helps organizations identify and mitigate potential threats to their operations, ultimately contributing to improved performance and decision-making.

To maintain its independence, the internal audit function often relies on the support of an audit committee. Research by Knechel and Salterio (2016) emphasizes the role of the audit committee in overseeing and supporting internal audit activities, ensuring that they are conducted in line with best practices and professional standards. This collaboration between the internal audit function and the audit committee is essential for upholding the integrity and objectivity of audit processes.

Lastly, the effectiveness of the internal audit function can be measured by assessing management's response to its findings and recommendations. Research by Chan et al. (2017) highlights the importance of management action in addressing identified issues and implementing corrective measures. By holding management accountable for addressing audit findings, organizations can ensure that internal audit activities lead to tangible improvements in risk management and control processes

Overall, empirical research on corporate internal audit has provided valuable insights into the challenges and opportunities associated with maintaining structural independence, adding value to organizational objectives, leveraging audit committee support, and promoting management accountability. By incorporating these empirical findings into practice, organizations can enhance the effectiveness and impact of their internal audit functions in driving strategic decision-making and improving governance practices.

In conclusion, the literature emphasizes the importance of structural independence, value addition, audit committee support, and management accountability in ensuring the effectiveness of corporate internal audit functions. By adhering to these principles, organizations can leverage internal audit as a strategic asset for achieving their overall objectives and enhancing governance practices.

2.3. Gaps in the literature and conclusion

Many literature and studies widely indicates how internal audit setting influence internal audit practice. As per the researcher's understanding the limited literature currently focused on private and Government economy in developed countries. As a result, understanding of the world wide arrangement of internal audit practice found in complete. In addition there is lack of consistency

on the findings of the studies on the practice of the internal audit in achieving organizational over all objectives.

2.4. Conceptual Frame Work

After going through literature, the researcher has tried to extract the conceptual frame work of this study and their implication from the empirical literature mentioned above it can be understood that internal audit practice is influenced by internal audit independence from corporation management, value added activities of the internal audit, audit committee assistance of internal audit in mantling independence and the management takes actions against the findings and recommendation of the internal audit. Hence, this study also aims to establish the relationship between internal audit practice and the independent variables that influence the internal audit performance of the Ethiopian Construction Design and Supervision Work Corporation. The conceptual frame work showing the dependence between variables is presented below.

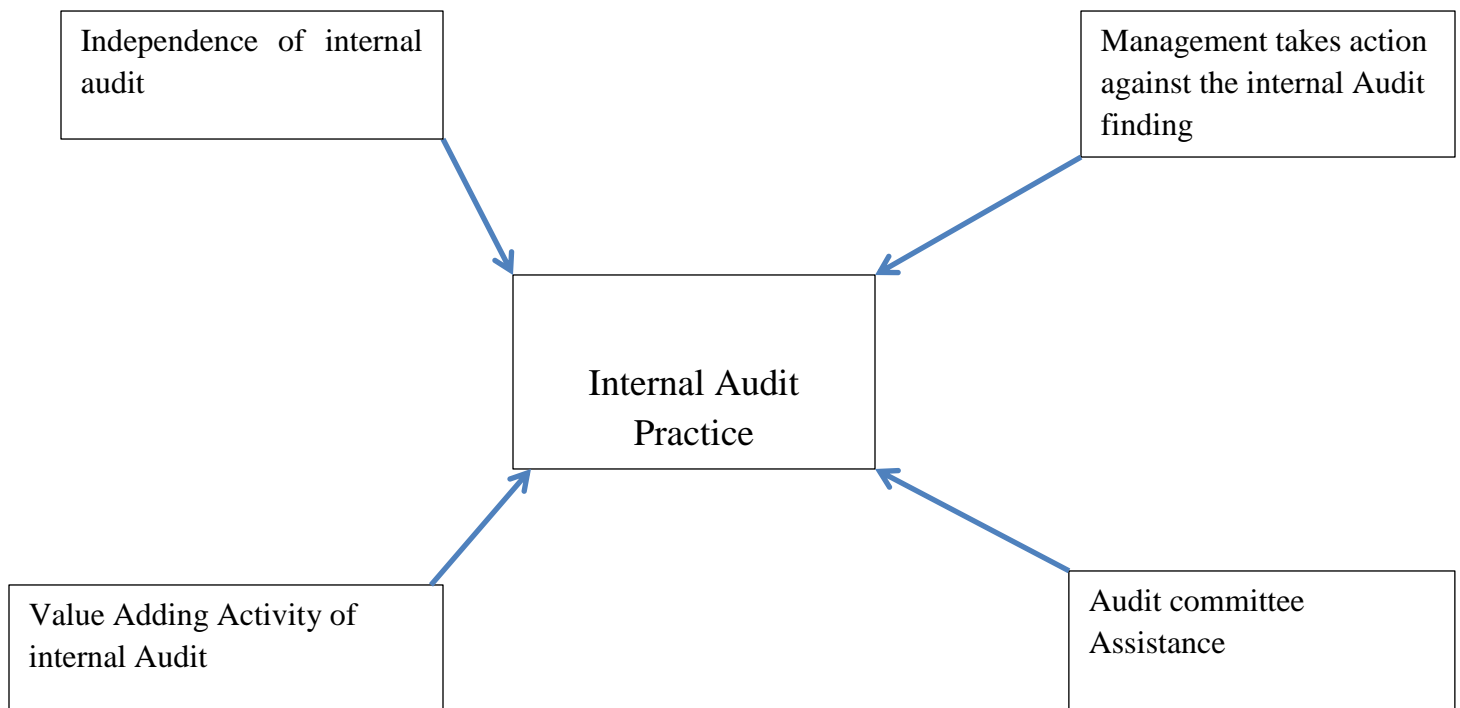


Figure 1: Conceptual frame work of Factors influencing internal audit practice.

Chapter Three

3. Research Design and Methods of Data Collection

3.1. Introduction

This chapter illustrates the research design and methodology which assists in drawing the logical and coherent link between the data collected, analyzed, summarized, and conclusions and recommendations drawn in the subsequent chapters.

3.2. Study Design

By taking into consideration the existing financial and time constraints, it was difficult to undertake the research in the extended periods of time through visiting the organization frequently at different points in time to collect the primary and secondary data. Therefore, this study was conducted through cross sectional study.

3.3 Research Approach

This thesis has relied on the qualitative methods of data collection. This approach had been employed to get the wider and detailed data to analyze the practices of internal auditing of Ethiopian construction Corporation. The qualitative approach has encompassed key informant interview and direct observation.

3.4. Population of the Study

In order to answer the basic research questions, fulfill the objectives of the study and make the data collecting process more comprehensive, qualitative data were gathered from the target groups. The target populations identified for this research are the internal audit staff, all top level managers, process and sub processes managers and team leaders within the corporation's structure. There are around twenty staffs at the finance department and top level managers. Accordingly, all of the twenty staffs as a respondent incorporated for this study. Therefore the total sample size was 20 by involving all female, audit staff, Deputy chief executive and corporate office managers as their number in the population is few to exercise sampling techniques.

3.5. Data Collection Methods and Data Collection Instruments

The research data (primary data) was gathered from the respondents through questionnaires and interview so that the data combination resulted in relatively consistent and cross-checked results.

3.5.1. Likert Scale Questionnaire

A Likert scale is a type of rating scale that is utilized to quantitatively assess individuals' opinions, attitudes, or behaviors. Likert scales are effective in capturing the degree of agreement or opinions of respondents towards an issue under consideration, as they provide a range of possible answers. Nevertheless, Likert scales are susceptible to response bias, wherein respondents may exhibit agreement or disagreement with all assertions due to factors such as weariness, social desirability, extreme responding tendencies, or other demand characteristics.

The Likert Scale is comprised of a statement or question, accompanied by a set of five or seven response statements. Participants select the one that most accurately aligns with their sentiment towards the statement or topic. It serves the purpose of enabling individuals to articulate their level of agreement or disagreement with a certain assertion. The Likert scale normally offers respondents five options to express their level of agreement or intensity of emotion towards a statement or inquiry, ranging from positive to negative.

The questionnaires that were sent out to the respondents were divided into two sections: the first section included questions about the respondents' demographics characteristics, and the second section included questions on the practice of internal audit and its factors. Step1: All variables were covered in questionnaires that were deemed appropriate. Step 2: The advisor examined the questionnaires and provided insightful feedback. Step 3: A reliability test was carried out on a subset of respondents' surveys using Crombach alpha. Step 4: the questionnaire distributed for twenty concerned officials and staffs of the company.

3.5.2. Key Informant Interview (KII)

Key informants are the research subjects in qualitative studies that have a disproportionate weight and role in the outcome of the research (Payne, et.al. 2004). Key informant interview was used to collect in-depth information about corporate internal audit and its structural

independence, the role played by auditing in adding value to the overall objective of the corporation, the assistance of audit committee to maintain the autonomy of internal audit, and to assess the management action against the findings and recommendation of internal audit. The information gathered through key informant interview has also been triangulated with other data collected from the respondents and other method of data collection. A total of 12 individuals who have deep and better knowledge about auditing in the company and the role played by top level managers in maintain the autonomy of the audit department.

3.5.3 Secondary Sources

The main sources of secondary data under this study were different books, published and unpublished materials, proceedings, project report, quarter; bi-annual and annual reports found in the company. The major types of secondary data that were included were information on corporate internal audit and its structural independence, the role played by role of auditing in a given company, the role played by assistance of audit committee to maintain the autonomy of internal audit, and to assess the management action against the findings and recommendation of internal audit and others.. The data gathered from different secondary sources corroborated with the primary data collected through different sources.

3.6. Validity and Reliability Test

The quality of the instruments used in a research is very important for the conclusions the researchers draw, because conclusions are based on the information obtained using these instruments. From this point of view, it becomes very important to establish validity and reliability of the items in the questionnaires of this study for meaningful data collection of the study. After questionnaire were developed based on the literature review, their validity and reliability were established using an experts.

3.6.1. Validity

Validity refers to the extent to which an instrument measures what it is supposed to measure and performs what it is designed to perform. To establish validity, the prepared questionnaire was provided to the experts who have idea about research. After the comment of the experts

incorporated in the questionnaire it was given to the advisor. The comments of the advisor were included to the questionnaire.

3.6.2. Reliability

Table: Reliability Statistics

Cronbach's Alpha	N of Items
.589	30

The table shows the reliability statistics for a set of items. Specifically, it presents the results of Cronbach's Alpha test, which is a widely used statistical method to evaluate the reliability of a set of items (e.g., survey questions, test questions, etc.).

Here's what the table tells us: Cronbach's Alpha: This is the coefficient of reliability, which ranges from 0 to 1. A higher value indicates a higher level of reliability. In this case, the value is .589, which is relatively moderate. N of Items: This is the number of items in the set being evaluated. In this case, there are 30 items. When to Interpretation: A Cronbach's Alpha value of .589 suggests that the set of 30 items has some degree of reliability, but there is still room for improvement. A value above .7 is generally considered good, while values below .3 are considered poor. With a moderate Cronbach's Alpha value, it's possible that some of the items may be redundant or not measuring the same underlying construct as well as others and To improve the reliability of the set, you may want to consider reducing the number of items, revising or rephrasing existing items to make them more consistent, or adding new items that better capture the desired construct. All in all, this table provides useful information about the reliability of the set of items, which can inform decisions about how to refine or improve them.

3.7. Methods of Data Analysis

Once the relevant data was obtained and organized, the response was categorized, assigned codes, processed, and evaluated using Statistical Package for Social Sciences (SPSS) software, specifically version 20.0. The statistical analysis performed for this study includes frequencies and descriptive analysis, which were chosen based on the unique objectives and descriptions of the research. Tabular representations of the outcomes of the data analysis are presented below. Likert's scale was utilized in the process of analyzing and processing the recorded data. A comprehensive analysis and presentation of the qualitative data that was gathered through

interviews with key informants was carried out, which resulted in a comprehensive description of the conditions. In the context of the Ethiopian Construction Work Corporation, this makes it possible to have a clear and vivid grasp of the subject matter.

As it has been stated above, this study employed a likert scale with five response rate. The interpretation and analysis of the likert scale result is based on the result presented in the following table:

Response	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
Interval	1.00 – 1.79	1.80 – 2.59	2.60 – 3.39	3.40 – 4.19	4.20 – 5.0
Range	Range 5-1= 4				

CHAPTER FOUR

4. DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

4.1. Introduction

This section presents the demographic characteristics of respondents including sex, work experience, position in the corporation and educational background.

I: Educational background Cross tabulation

Table 1:

Item		Educational background			Total
		Diploma	Bachelor degree	Master's Degree	
Gender of respondent	Male	5	7	2	14
	Female	4	2	0	6
Total		9	9	2	20

There are 20 respondents in total, The respondents are divided into two groups: male (14) and female (6), The educational background is categorized into three levels: Diploma, Bachelor's degree, and Master's degree. Males make up 70% (14/20) of the respondents and Females make up 30% (6/20) of the respondents. Educational background: The most common educational background is Bachelor's degree, with 45% (9/20) of the respondents holding this degree, The Diploma and Master's degree are less common, with 45% (9/20) and 10% (2/20) of the respondents, respectively. Intersection of gender and educational background: Among males, the majority (64%) holds a Bachelor's degree (9/14), among females, the majority (67%) holds a Diploma or lower educational background (4/6) and there are no females with a Master's degree. Key finding: Males are more likely to hold a Bachelor's degree than females; Females are more likely to hold a Diploma or lower educational background than males. There is no representation of females in the Master's degree category.

Implications: These findings may suggest that there is a gender bias in educational attainment, with males being more likely to pursue higher education. This could be due to various factors such as societal expectations, family dynamics, or access to resources. The lack of representation of females in the Master's degree category may indicate that there are barriers to pursuing higher education for women. This could be related to factors such as childcare responsibilities, financial constraints, or lack of support networks. Overall, this cross-tabulation provides valuable insights into the gender distribution and educational background of the respondents. It highlights potential areas of concern and suggests that further research is needed to understand the underlying causes and consequences of these findings.

II : Auditors experience Cross tabulation

Table:2

Item		auditors experience			Total
		1-5	6-10	11-15	
gender of respondent	MALE	2	4	8	14
	FEMALE	0	0	6	6
Total		2	4	14	20

The most common experience range is 11-15 years, with 70% (14/20) of the respondents having this level of experience; the least common experience range is 1-5 years, with only 10% (2/20) of the respondents having this level of experience. Intersection of gender and auditors' experience: Among males, the majority (57%) have 11-15 years of experience (8/14). Among females, the majority (100%) has 11-15 years or more of experience (6/6), there are no females with 1-5 years or 6-10 years of experience.

Key findings: Males are more likely to have less experience (1-5 years or 6-10 years) than females, Females are more likely to have more experience (11-15 years or more) than males. There is no representation of females in the lower-experience categories.

Implications: These findings may suggest that there are barriers to entry for females in the auditing profession, particularly in the early stages of their careers, The lack of representation of females in the lower-experience categories may indicate that they are more likely to start their

careers later or have taken a career break and The fact that females are more likely to have more experience may suggest that they are more likely to stay in the profession longer or have been able to progress more quickly. Overall, this cross-tabulation provides valuable insights into the gender distribution and auditors' experience. It highlights potential areas of concern and suggests that further research is needed to understand the underlying causes and consequences of these findings.

III: Position Cross tabulation

Table 3

Count

Item		Position			Total
		Junior Auditor	senior auditor	Audit manager	
Gender of espondents	Male	1	2	11	14
	Female	1	2	3	6
Total		2	4	14	20

The table shows Position distribution: The most common position is Audit Manager, with 70% (14/20) of the respondents holding this position, The Junior Auditor and Senior Auditor positions are less common, with 10% (2/20) and 20% (4/20) of the respondents, respectively. Intersection of gender and position: Among males, the majority (79%) hold senior positions (11/14), including Audit Manager, Among females, the majority (50%) hold junior positions (3/6), including Junior Auditor, There are no females in the Senior Auditor position.

Key findings: Males are more likely to hold senior positions than females, Females are more likely to hold junior positions than males, and there is no representation of females in the Senior Auditor position, These findings may suggest that there are gender-based barriers to career advancement in the auditing profession, The lack of representation of females in senior positions may indicate that there are few role models or mentors for women to follow, The fact that females are more likely to hold junior positions may suggest that they are more likely to be entry-level or have limited opportunities for advancement.

Overall, this cross-tabulation provides valuable insights into the gender distribution and positions within the auditing profession. It highlights potential areas of concern and suggests that further research is needed to understand the underlying causes and consequences of these findings.

4.2. Internal audit Independence

Table :4

Item	N	Mean	Std. Deviation
When conducting its work, internal audit is independent of outside interference.	20	4.90	.308
Any audit finding can be freely included by internal auditors in their audit reports.	20	4.90	.308
The board of directors (or audit committees) receives reports from internal audit.	20	4.95	.224
Internal audit committees, the board of directors, are in charge of making employment-related decisions.	20	4.95	.224
An internal auditor does not audit areas in which they participated when designing a system.	20	4.95	.224
The internal auditor does not participate in audits of activities that they were responsible for.	20	4.75	.444
Staff assignments in internal audit are rotated periodically.	20	4.00	.973
Valid N (list wise)	20		

From the above table When conducting its work, internal audit is independent of outside interference: Mean: 4.90: This indicates that the respondents strongly agree (4.90 out of 5) that the internal audit function is independent of outside interference when conducting its work.

Any audit finding can be freely included by internal auditors in their audit reports:

Mean: 4.90: The respondents also strongly agree (4.90 out of 5) that internal auditors can freely include any audit findings in their reports, suggesting a high level of autonomy.

The board of directors (or audit committees) receives reports from internal audit: Mean: 4.95: The respondents strongly agree (4.95 out of 5) that the internal audit function reports directly to the board of directors or audit committees, which is an important aspect of independence.

Internal audit committees, the board of directors, are in charge of making employment-related decisions: Mean: 4.95: The respondents strongly agree (4.95 out of 5) that the board of directors or audit committees is responsible for employment-related decisions regarding the internal audit function, further enhancing its independence.

An internal auditor does not audit areas in which they participated when designing a system: Mean: 4.95: The respondents strongly agree (4.95 out of 5) that internal auditors do not audit areas in which they were involved in designing the system, which helps maintain their objectivity and independence.

The internal auditor does not participate in audits of activities that they were responsible for: Mean: 4.75: The respondents also strongly agree (4.75 out of 5) that internal auditors do not participate in audits of activities for which they were responsible, which is another important aspect of independence.

Staff assignments in internal audit are rotated periodically: Mean: 4.00: The respondents agree (4.00 out of 5) that staff assignments in the internal audit function are rotated periodically, which can help maintain independence and objectivity.

Overall, the results suggest that the internal audit function in the organizations studied enjoys a very high level of independence, with strong support from the board of directors or audit committees, and practices that ensure the objectivity and autonomy of the internal auditors.

The respondents generally agree that internal auditors do not participate in audits of activities they were responsible for (Mean = 4.75, SD = 0.444), However, there is a moderate agreement that internal auditors do not audit areas where they participated in designing the system (Mean =

4.95, SD = 0.224), There is a moderate agreement that staff assignments in internal audit are rotated periodically (Mean = 4.00, SD = 0.973).

The survey suggests that internal audit practices are generally independent and unbiased, with a high level of transparency and accountability, However, there is a moderate level of concern regarding conflicts of interest, particularly in situations where internal auditors may have been involved in designing the system being audited, The rotation of staff assignments in internal audit is not as widespread as expected.

The findings suggest that internal audit practices are generally sound, but there may be room for improvement in areas such as conflict of interest management and staff rotation, Organizations may need to review their internal audit policies and procedures to ensure that they are robust and effective in maintaining independence and objectivity, The rotation of staff assignments may be an area where organizations can improve internal audit practices to reduce the risk of conflicts of interest.

Implement a robust conflict of interest policy and procedure to ensure that internal auditors are aware of potential conflicts and take steps to mitigate them, Develop a rotation program for staff assignments in internal audit to reduce the risk of conflicts of interest and improve the overall effectiveness of internal audit, Conduct regular reviews and evaluations of internal audit practices to ensure that they are aligned with best practices and effective in maintaining independence and objectivity.

4.3. : Value added as a Result of Internal Audit Function

Table:5

Item	N	Mean	Std. Deviation
Internal audit activities evaluate the operational and quality effectiveness of an organization	20	4.50	.513
Internal audits evaluate the effectiveness of governance and risk	20	4.55	.510
Assurances on business and process controls are provided by internal auditing	20	4.45	.510
Management believes that your function adds value to the organization.	20	4.15	.745
An auditee's attitude towards internal audits is one of support or rather fault finding	20	4.70	.470
Valid N (listwise)	20		

The respondents generally agree that internal audit activities evaluate the operational and quality effectiveness of the organization (Mean = 4.50, SD = 0.513), There is a slight increase in agreement when it comes to evaluating the effectiveness of governance and risk (Mean = 4.55, SD = 0.510), However, the respondents' agreement on whether internal audit provides assurances on business and process controls is lower (Mean = 4.45, SD = 0.510), Management's perception of the internal audit function's value to the organization is relatively low (Mean = 4.15, SD = 0.745). The respondents overwhelmingly agree that auditees' attitude towards internal audits is one of support (Mean = 4.70, SD = 0.470).

The survey suggests that internal audit activities are generally perceived as adding value to the organization by evaluating operational and quality effectiveness, as well as governance and risk, However, there may be some room for improvement in providing assurances on business and process controls, which is a critical aspect of internal audit, Management's perception of internal audit's value to the organization is relatively low, which may indicate a need for improved communication and reporting.

The findings suggest that internal audit activities are generally effective in adding value to the organization, but there may be areas for improvement. Organizations may need to focus on improving internal audit's ability to provide assurances on business and process controls, Communication and reporting between internal audit and management are critical to ensuring that management perceives the value of internal audit.

Develop a comprehensive framework for internal audit activities that includes evaluating operational and quality effectiveness, governance and risk, and business and process controls, Improve communication and reporting between internal audit and management to ensure that management perceives the value of internal audit, Conduct regular reviews and evaluations of internal audit activities to identify areas for improvement and ensure that internal audit is adding value to the organization. Consider conducting surveys or focus groups with auditees to better understand their perceptions of internal audit and identify areas for improvement.

Overall, the survey suggests that internal audit is generally perceived as adding value to the organization, but there may be areas for improvement. By addressing these areas, organizations can improve the effectiveness of their internal audit functions and ensure that they are adding value to the organization.

4.4 Audit Committee Support in maintaining Independence

The success of internal audit relies on support given by audit committee in maintaining their independence. Items related with audit committee support in maintaining independence of internal audit are indicated in table 6 below to be rated by the respondents.

Table:7 Audit Committee and their Functions

Item	N	Mean	Std. Deviation
Internal audit function independence and competence are evaluated by the audit committee	20	4.80	.523
The audit committee review the scope of internal audits planned for the years	20	4.55	.605
The chief of internal auditors is evaluated by the audit committee about internal audit reports, the effectiveness of internal controls, and issues encountered during internal audit implementation.	20	4.80	.523
The audit committee evaluates the management's response to the suggestions made by internal auditors.	20	4.70	.470
The head of internal audit can be appointed or dismissed based on recommendations made by the audit committee.	20	4.70	.470
Valid N (listwise)	20		

Audit Committee Support for Internal Audit Independence

The respondents strongly agree that the audit committee evaluates the independence and competence of the internal audit function (Mean = 4.80, SD = 0.523), There is a moderate agreement that the audit committee reviews the scope of internal audits planned for the year (Mean = 4.55, SD = 0.605), The respondents overwhelmingly agree that the audit committee evaluates the chief of internal auditors on internal audit reports, effectiveness of internal controls, and issues encountered during internal audit implementation (Mean = 4.80, SD = 0.523).

The respondents also agree that the audit committee evaluates management's response to suggestions made by internal auditors (Mean = 4.70, SD = 0.470), There is a strong agreement that the head of internal audit can be appointed or dismissed based on recommendations made by the audit committee (Mean = 4.70, SD = 0.470).

The survey suggests that the audit committee plays a crucial role in maintaining the independence and competence of the internal audit function, The audit committee is actively involved in reviewing the scope of internal audits, evaluating the effectiveness of internal controls, and assessing management's response to internal audit findings, The respondents strongly agree that the audit committee has a significant influence on the appointment and dismissal of the head of internal audit.

The findings suggest that the audit committee is playing a critical role in maintaining the independence and effectiveness of internal audit, Organizations may need to ensure that their audit committees have sufficient resources and expertise to fulfill their responsibilities, The appointment and dismissal of the head of internal audit should be based on a thorough evaluation of their performance and independence.

Ensure that the audit committee has a clear understanding of its role in maintaining the independence and competence of the internal audit function: Develop a comprehensive framework for evaluating the independence and effectiveness of internal audit, Consider conducting regular evaluations of the audit committee's performance and independence, Ensure that the appointment and dismissal of the head of internal audit are based on a thorough evaluation of their performance and independence.

Overall, the survey suggests that the audit committee plays a critical role in maintaining the independence and effectiveness of internal audit. By ensuring that the audit committee has sufficient resources and expertise, organizations can improve their overall governance and risk management practices.

4.5: Management Action on Audit Findings

Table 4.8 :

Item	N	Mean	Std. Deviation
To assess the management action against the finding and recommendation of internal audit.	20	2.10	1.447
The organization's management quickly responded to the audit's findings.	20	4.65	.587
The company's management actively implements the auditors' recommendations.	20	4.60	.503
The organization's management promised to strengthen internal auditing in every aspect.	20	4.55	.510
When management issues organizational rules and procedures, the corporation takes the internal audit report into consideration.	20	4.60	.503
Valid N (listwise)	20		

Based on Table 4.8, here is the specific information:

Overall, the survey suggests that management is generally responsive to internal audit findings and recommendations. By ensuring that management has a clear understanding of the importance of internal audit, organizations can improve their overall governance and risk management practices.

"To assess the management action against the finding and recommendation of internal audit":

The mean score of 2.10 indicates that the organization does not give significant attention or consideration to the findings and recommendations provided by the internal auditors. The standard deviation of 1.447 suggests a significant variation in replies, indicating that certain businesses may exhibit a higher level of proactive action in this aspect, while others may demonstrate less. This implies a possible area that the company should focus on improving, specifically by enhancing their procedures for assessing and implementing the internal audit findings and suggestions.

"The organization's management quickly responded to the audit's findings":

The average score of 4.65 indicates that the firms in the sample promptly address the internal audit findings. The low standard deviation of 0.587 suggests that the responses throughout the sample are quite consistent. Most organizations demonstrate a positive and responsive approach. This is a favorable indication, as it demonstrates that the management is diligent in overseeing the audit process and proactive in resolving the detected concerns.

"The company's management actively implements the auditors' recommendations":

The mean score of 4.60 indicates that the firms in the sample actively follow the suggestions offered by the internal auditors. The sample demonstrates a high level of consistency in implementing the instructions, as indicated by the low standard deviation of 0.503. This component is significant because it shows that organizations are not only receptive to the audit results, but also dedicated to implementing tangible measures to resolve the highlighted concerns.

"The organization's management promised to strengthen internal auditing in every aspect":

The mean score of 4.55 indicates that the firms in the sample have shown a significant dedication to improving their internal auditing function in multiple domains. The sample exhibits a relatively constant commitment, as indicated by the standard deviation of 0.510. This is an encouraging indication, as it demonstrates that the management acknowledges the significance of a strong and efficient internal audit procedure.

"When management issues organizational rules and procedures, the corporation takes the internal audit report into consideration":

The mean score of 4.60 out of 5 indicates that the organizations in the sample consistently consider the internal audit report when creating organizational policies and procedures. A standard deviation of 0.503 out of 5 suggests a high level of consistency in the observed practices within the sample. Implementing this technique is advantageous because it guarantees that the internal audit findings and suggestions are incorporated into the organization's decision-making and policy-setting procedures.

All in all, from the above result suggest that the organizations exhibited a weak inclination to evaluate or tackle the internal audit findings and suggestions, with a mean score of 2.10 out of 5. Nevertheless, they demonstrate a favorable and prompt attitude in other aspects, such as promptly resolving audit discoveries (mean = 4.65 out of 5), actively implementing suggestions from auditors (mean = 4.60), and incorporating the internal audit report into their decision-making procedures (mean = 4.60 out of 5). The firms also display a high level of dedication to enhancing their internal auditing function (mean = 4.55 out of 5). The standard deviations in the sample vary from 0.503 to 0.587, indicating a consistent approach. However, the first item stands out with a greater standard deviation of 1.447, suggesting a wider range of replies.

This analysis indicated while there is room for improvement in the assessment of management's actions against audit findings and recommendations, the organizations in the sample generally exhibit a positive and responsive approach to internal auditing, with a strong emphasis on using the internal audit process to enhance organizational governance and control.

4.6 Analysis of Interview Questions

The value-added role of the internal audit function can be assessed by examining its effectiveness in detecting and preventing fraud, improving governance, and enhancing risk management (Bloch, 2023). A value-added internal audit function should be able to provide evidence of its impact on improving organizational processes and decision-making (Anderson & Dahle, 2022). Responses will indicate whether the internal audit function is perceived as independent or not.

Indicators of independence may include a lack of interference from management, clear communication channels, and a sense of autonomy (Kinsella, 2021). Conversely, responses may indicate that management has exerted influence over the internal audit function, which could impact the effectiveness of the audit (Reding et al., 2020).

If the internal audit function is able to demonstrate its value-added role, it is likely to be a critical component of the organization's governance and risk management framework (Bou-Raad, 2021).

Conversely, if the internal audit function is not able to demonstrate its value-added role, it may be perceived as a non-essential activity (Sarens et al., 2022).

The independence of the internal audit function can be assessed by examining the reporting structure, access to information, and budgeting process (Prawitt et al., 2023). A structurally independent internal audit function should report directly to the audit committee or the board of directors, not to management (Jans et al., 2022). The internal audit function should have unrestricted access to information and resources to perform its duties effectively (Gramling et al., 2021).

If the audit committee provides effective support and guidance to the internal audit function, it is likely to enhance its independence and effectiveness (Carcello et al., 2021). Conversely, if there is limited interaction or support between the audit committee and internal audit function, it may compromise its independence and effectiveness (Beasley et al., 2020).

If management is responsive to findings and recommendations from internal audits, it is likely to enhance trust and confidence in governance and risk management processes (Hanes & Maselli, 2022). If management is resistant or ignores findings and recommendations from internal audits, it may compromise trust and confidence in governance and risk management processes (Anderson & Dahle, 2022).

These questions can be used as a starting point for conducting interviews with key stakeholders in Ethiopian Construction Works Corporation (ECWC). The analysis and interpretations provided can help guide data collection and data analysis procedures. This study aims to provide a comprehensive assessment of internal audit practice in Ethiopian Construction Works Corporation. By analyzing responses from 20 stakeholders, this study will shed light on various aspects of internal audit practice, including structural independence, added value, support from the audit committee, and management action against findings and recommendations. The findings will provide valuable insights for improving internal audit practice and enhancing overall corporate performance in Ethiopian Construction Works Corporation. A structured

independence of the internal audit department can be achieved by having a clear reporting line to the board of directors or an independent audit committee.

The existence of a clear policy and procedures for handling conflicts of interest and biases can also ensure the independence of the internal audit department and the frequency and quality of interactions with management can also impact the independence of the internal audit department.

The respondents also addressed the consultancy and advisor roles of internal audit. In order to have an impartial source of information, apart from compliance and assurance services, management requires financial and other internal auditing tasks to be undertaken by the internal audit department. When asked about role of internal audit, the respondents discussed that oftentimes management seeks consultancy support from the internal audit and requests the department to conduct operational audits and report to management on these audits, which are critical to the business's day-to-day activities. In regards to value adding role of internal audit, majority of the respondents stresses operational audit is an essential element. For instance, Respondent MGT2 stated that "internal audit focuses on the control of material wastage and the abuses of finance". Nonetheless, interview result implies that consultancy and advisory is overwhelmed by the compliance and assurance service in the internal audit and is considered as additional task.

Besides its normal job, the audit department give advises regarding tax issues. Before the occurrence of any problems, the internal auditors advise the management whether the tax and financial system is compatible to the national guidelines (tax and revenue authority). The department notifies to the management and the finance department whenever new tax rules and regulations are announced (Respondent MGT3).

This indicates that internal auditors are expected to provide an impartial, independent assurance and consulting activity that adds value and improves the operational efficiency of a company. When asked to elaborate on the additional role of internal audit, a respondent stressed importance of financial and operational audits.

Well, internal audit makes financial and operational audits. In relation to this, on one hand the internal audit follows internal controls and performs auditing. On the other

hand, it supports the management in activities like policy development and the like (Respondent IA2).

The result shows that internal audit participates in value adding activities as observed from the following statement.

Yes, as our organization is a construction company, we identify projects with problems and present to the management and the management passes its own decisions. We are not decision maker; it is the management that decides. We deliver our investigations to the management with supportive document. We made our examinations based on the guidelines and rules of the organization (Respondent MGT2).

The finding indicates that internal audit assesses the internal business process and interaction with in the company, and provides clear and precise information for decision making. Respondents were also asked about the role of internal auditors regarding external audit activities. When it comes to external audit, all respondent expressed that internal auditors play a supportive role whenever required. The study result showed that primary contact of external auditor is with the finance department and audit manager. As a result, internal auditors do not play active role when it comes to external auditing activities. “It is mainly the department manager who gives support to them. Other members of the department give support when needed” (Respondent IA5). Internal auditors are only required to explain if there exist interpretation gaps.

Internal audit activity has relatively a strong position inside each organization, according to respondents. This is because both businesses environment and the management recognize its significance and influence. To allow for an objective and impartial inspection, IA activity should be totally and organizationally separated from the function to be assessed (IIA, 2016). To understand challenges related to internal audit, respondents were asked questions relating to organizational context which includes independence, management support, role conflict and ambiguity, competences and relationship with other functional units. When asked about the status of internal audit, most of the respondent stressed that internal audit department is as old as the company. For example, respondent IA5 said that “the department is almost as old as the company itself and it is based on knowledge and principles”.

In our organization, the internal audit is fully independent and performs its activities without any pressure. The department is almost as old as the company itself and it is based on knowledge and principles (Respondent IA5).

Internal audit independence is somehow challenging as opposed to external auditors. Because, true independence cannot be realized its reports directly to the top management of the company or any other alternate governance structure while remaining on the entity's payroll. Nonetheless, most of the participants believed that internal audit department is uniquely positioned inside the organization to assess governance, risk management, and control systems. The organizational structure supports the respondent's opinion. It is placed under the managing director who is the highest decision-making body in the company. When asked about the extent of internal audit independence, respondent IA1 said "In our case, the internal audit is very independent; it is a powerful; it has the power to go outside and present what it has seen." According to the respondent, independence is maintained by making the department reports to top management so that other department managers do not have the opportunity to put pressure on it. To enforce the independence, the communication between the internal audit and other department is channeled through top management. The internal audit can have a discussion with other departments in relation to some work procedures issues, but do not have ability to pressure.

As I told you before, you will receive the report through top management. It is only when the top management reports that the gaps existent is known and that they can be persuaded or communicated to the management. But the Internal Audit Department independently submits reports (Respondent IA4).

Respondent IA2 stresses the independence of audit noting that internal audit is directly responsible to the managing director, who is the top decision-making body in the company, the role of the top management is to give support to the internal audit when needed. The management coordinates other departments to make corrective action as per audit findings and recommendations.

"Yes, we follow up seriously. If there are big findings, we call a meeting of all department heads including finance, engineering, procurement and others and listen the presentation of the findings by the internal audit. Then, each department takes its own

share and takes the responsibility of the corrections as per the recommendations (Respondent MGT1).

Although there exist minor limitations, overall the finding shows that there is management support for the internal audit and healthy relationship with other departments. It is important to note that almost all respondents expressed that their working relationship with in a company is like a family.

“Yes, there are supports for the implementations of results of our reports.

” Although there exist strong understandings and cooperation between the management and the internal audit, some respondents stressed that extent of support should be improved though there are more general. Respondent IA7 believes that “it can be done beyond this. We think we should go further and be compatible to the demands of the time”. The interview result also shows existence of good interrelationship with other departments and noted that internal audit is considered as supportive functions. “We have good relations with other departments, especially with the finance as we have a number of things to do together and our focus is auditing” (Respondent IA6). When describing the perceptions of other departments toward internal audit respondent, IA4 indicated that they can obtain everything they demand from other departments.

“.... all have positive attitudes to the internal audit and provide us good cooperation both at the head office and in project sites” (Respondent IA4).

The finding indicates that internal audit gives advice to the management and at the same time performs auditing and internal control. Because internal auditors must also simultaneously satisfy line managers and conduct audits in the same department, which in most cases result in a role conflict (Brody & Lowe, 2000; Cooper et al., 2006). As a result, role conflict is the inherent part internal audit as it simultaneously serves as an advisor and controller. The respondents stressed their focus area is on financial auditing which done in collaboration with finance department.

There is no as such conflict in our case. We focus on auditing activities like inventory as well as supervision in collaboration with finance department (Respondent IA5).

We make our examinations based on the guidelines and rules of the organization.” (Respondent IA8). Respondent IA2 further explains that “there is no as such role conflict and we do not see it as a problem, and consider it as part of the job.” According to the study results, internal auditors reported no role conflict or ambiguity. We argue that the existence rules, guidelines and procedures was successful in clarifying internal audit responsibilities regarding internal audit function (IAF). Even though internal auditors have a minimal level of job ambiguity, 43 organizations must nevertheless manage it because it has a direct impact on various elements of performance and organizational goals (Aghghaleh et al., 2014).

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter deals with the summary of the study on assessment of internal audit practice in Ethiopian Construction Works Corporation. Based on the major findings, some summary and conclusions have been drawn and practical recommendations have been finally forwarded. 5.1 Summary of the Study The main purpose of this study was the assessment of internal audit practices in Ethiopian Construction Works Corporation.

A descriptive research approach was employed to assess the practices of internal audit of the Ethiopian construction Works Corporation. That is, both quantitative and qualitative data were collected at a time. Questionnaires and interview.30 questions developed by the researcher himself were used to collect data from the respondents. The validity and reliability of questionnaires were checked using validity. The sources of the data for the study were 20 respondents from the corporation. Simple random sampling was used to select the respondents. Mean values and standard deviation were used for data analysis.

To assess the independence of corporate internal audit from the corporation management in performing audit activities items on 5 point Likert scale was provided to the respondents. Thus, from the study it was found that there is an independence of internal audit department from the Ethiopian Construction works corporation management with aggregate mean value of 4.22. Regarding the internal audit functions to add value to the overall objective of the corporation, the study revealed that, the internal audit adds value to the corporation with grand mean of 4.28. This reveals that value is added as a result of internal audit function practiced by the internal audit. Furthermore, the study assessed whether or not the board audit committee assists the internal audit in maintaining its independence. This indicates that, audit committee supports internal audit in maintaining its independence.

5.2. Conclusion

The study findings suggest that the internal audit practices at the Ethiopian Construction Works Corporation are in accordance with the prevailing standards of professional development. The responders agreed with the procedures conducted by the internal audit department. The findings

indicate that the internal audit department of the Ethiopian Construction Works Corporation operates autonomously and is not subject to the influence of the corporation's management. This finding has a positive impact on enhancing the efficiency of the internal audit function. Furthermore, the study determines that the internal audit function offers value-enhancing services to the corporation. This indicates that the internal audit function is making a beneficial contribution to the organization. Moreover, the report asserts that the audit committee aids in upholding the independence of the internal audit function. This support enables the internal auditors to effectively carry out their tasks and responsibilities without any constraints.

Overall, the study indicates that management is typically receptive to internal audit findings and recommendations. Furthermore, the company's management places great importance on internal audit findings and swiftly implements necessary corrective measures. Additionally, management takes into account internal audit results when establishing organizational regulations and procedures. The organization's management also demonstrates a favorable disposition towards internal audit and the discoveries it uncovers.

Furthermore, the participants agreed that the company's leadership actively executes the suggestions made by auditors, and that the management commits to enhancing internal auditing comprehensively. The audit committee assesses the autonomy and proficiency of the internal audit function, examines the planned scope of internal audits for the year, and evaluates the performance of the chief internal auditors based on internal audit reports, the effectiveness of internal controls, and any challenges encountered during the implementation of internal audits.

The audit committee assesses the autonomy and proficiency of the internal audit function, examines the planned scope of internal audits for the year, and evaluates the head of internal auditors based on internal audit reports, the efficacy of internal controls, and challenges faced during the implementation of internal audits. Additionally, management believes that internal audit adds very little to the organization, which suggests that reporting and communication need to be enhanced. The respondents also strongly agreed that auditees' attitude towards internal audits is supportive. Nevertheless, the practice of rotating staff assignments within the internal

audit department is not as prevalent as anticipated, thus heightening the likelihood of conflicts of interest.

Finally from the study it was concluded that the management of the corporation takes the corrective actions on audit findings for future improvement and overall, the study findings indicate that the internal audit function at the Ethiopian Construction Works Corporation is operating at a high level of independence and professionalism, which enhances its ability to add value to the organization.

5.3. Recommendation

Even though, the findings of the study revealed the overall practices of the internal audit of the Ethiopian Construction Works Corporation are to the standard, it is important to forward the following recommendations. The finding of the study regarding the internal audit functions comply with IIAs standards rated below the agreement. But, for the successful activities of the internal audit there must be compliance of 0.45 internal audit functions with IIAs standard. Based on the findings of the study the following recommendations are presented as follows:

1. The quality assurance program in the internal audit service is rated below agreement. However, for proper and effective function of internal audit the quality assurance review program in the corporate internal audit service should be strengthened.
2. Develop a comprehensive framework for implementing internal audit recommendations. Consider conducting regular evaluations of the effectiveness of internal audit recommendations. And, Ensure that management has a clear process for addressing internal audit findings and recommendations.
3. To ensure that the organizations are making progress in improving their governance and risk management practices, the implementation of internal audit recommendations should be a key focus area. In addition, organizations should ensure that management has a clear understanding of the importance of internal audit in ensuring good governance and risk management practices.

4. The audit committee evaluates the independence and competence of the internal audit function, reviews the scope of internal audits planned for the year, and evaluates the chief of internal auditors on internal audit reports, effectiveness of internal controls, and issues encountered during internal audit implementation.
5. Regularly review and assess the effectiveness of the audit committee's activities to ensure that they are meeting their objectives and maintaining the independence and competence of the internal audit function.
6. Enhance management's perception of internal audit's value to the organization by improving communication, reporting, and demonstrating the impact of internal audit on organizational decision-making.
7. Focus on improving internal audit's ability to provide assurances on business and process controls, which is a critical aspect of internal audit.
8. Review and revise internal audit policies and procedures to ensure that they are robust and effective in managing conflicts of interest, particularly in situations where internal auditors may have been involved in designing the system being audited.
9. Improve communication between internal audit and other stakeholders to ensure that internal audit is transparent and accountable, and to promote a culture of objectivity and independence.

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7. Appendix: Descriptive statistics

Then conducting its work, internal audit is independent of outside interference.

Karin

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	Frequency	Percent	Valid Percent	Cumulative Percent
Agree	2	10.0	10.0	10.0
Valid Strongly Agree	18	90.0	90.0	100.0
Total	20	100.0	100.0	

Any audit finding can be freely included by internal auditors in their audit reports.

	Frequency	Percent	Valid Percent	Cumulative Percent
Agree	2	10.0	10.0	10.0
Valid Strongly Agree	18	90.0	90.0	100.0
Total	20	100.0	100.0	

The board of directors (or audit committees) receives reports from internal audit.

	Frequency	Percent	Valid Percent	Cumulative Percent
Agree	1	5.0	5.0	5.0
Valid Strongly Agree	19	95.0	95.0	100.0
Total	20	100.0	100.0	

Internal audit committees, the board of directors, are in charge of making employment-related decisions.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	1	5.0	5.0	5.0
	Strongly Agree	19	95.0	95.0	100.0
	Total	20	100.0	100.0	

An internal auditor does not audit areas in which they participated when designing a system.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	1	5.0	5.0	5.0
	Strongly Agree	19	95.0	95.0	100.0
	Total	20	100.0	100.0	

Staff assignments in internal audit are rotated periodically.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Dis Agree	1	5.0	5.0	5.0

	Dis Agree	1	5.0	5.0	10.0
	Agree	13	65.0	65.0	75.0
	Strongly Agree	5	25.0	25.0	100.0
	Total	20	100.0	100.0	

Internal audit activities evaluate the operational and quality effectiveness of an organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	10	50.0	50.0	50.0
	Strongly Agree	10	50.0	50.0	100.0
	Total	20	100.0	100.0	

Internal audits evaluate the effectiveness of governance and risk

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	9	45.0	45.0	45.0
	Strongly Agree	11	55.0	55.0	100.0
	Total	20	100.0	100.0	

Assurances on business and process controls are provided by internal auditing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	11	55.0	55.0	55.0
	Strongly Agree	9	45.0	45.0	100.0
	Total	20	100.0	100.0	

Management believes that your function adds value to the organization.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	4	20.0	20.0	20.0
	Agree	9	45.0	45.0	65.0
	Strongly Agree	7	35.0	35.0	100.0
	Total	20	100.0	100.0	

An Auditee's attitude towards internal audits is one of support or rather fault finding

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	6	30.0	30.0	30.0
	Strongly Agree	14	70.0	70.0	100.0

	Total	20	100.0	100.0	
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Internal audit function independence and competence are evaluated by the audit committee

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	1	5.0	5.0	5.0
	Agree	2	10.0	10.0	15.0
	Strongly Agree	17	85.0	85.0	100.0
	Total	20	100.0	100.0	

The audit committee review the scope of internal audits planned for the years

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	1	5.0	5.0	5.0
	Agree	7	35.0	35.0	40.0
	Strongly Agree	12	60.0	60.0	100.0
	Total	20	100.0	100.0	

The chief of internal auditors is evaluated by the audit committee about internal audit reports, the effectiveness of internal controls, and issues encountered during internal audit implementation.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	1	5.0	5.0	5.0
	Agree	2	10.0	10.0	15.0
	Strongly Agree	17	85.0	85.0	100.0
	Total	20	100.0	100.0	

The audit committee evaluates the management's response to the suggestions made by internal auditors.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	6	30.0	30.0	30.0
	Strongly Agree	14	70.0	70.0	100.0
	Total	20	100.0	100.0	

The head of internal audit can be appointed or dismissed based on recommendations made by the audit committee.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	6	30.0	30.0	30.0

	Strongly Agree	14	70.0	70.0	100.0
	Total	20	100.0	100.0	

When management issues organizational rules and procedures, the corporation takes the internal audit report into consideration.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	8	40.0	40.0	40.0
	Strongly Agree	12	60.0	60.0	100.0
	Total	20	100.0	100.0	

The organization's management promised to strengthen internal auditing in every aspect.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	9	45.0	45.0	45.0
	Strongly Agree	11	55.0	55.0	100.0
	Total	20	100.0	100.0	

The company's management actively implements the auditors' recommendations.

		Frequency	Percent	Valid Percent	Cumulative Percent

Valid	Agree	8	40.0	40.0	40.0
	Strongly Agree	12	60.0	60.0	100.0
	Total	20	100.0	100.0	

To ages the management action against the finding and recommendation of internal audit.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Dis Agree	12	60.0	60.0	60.0
	Dis Agree	1	5.0	5.0	65.0
	Agree	7	35.0	35.0	100.0
	Total	20	100.0	100.0	

Appendix A : Questionnaire

Dear Respondent,

My Name is Afework Ayele I am currently a student of St,Merry University, doing MSC thesis on topic entitled “An Assessment of internal audit practice: The case of Ethiopian construction work corporation.

I kindly request you to fill in the questioner and provide the information that may be further required. I would also like to note that the information you provide will be confirmed and used only for the academic purpose. I would like thank you for your corporation in advance.

Note: this questionnaires has two parts

Section One: Demographic background

Section Two: data directly related to the study

Instruction: Four questions with choices please choice which you believe is appropriate and put “X” mark in the box in front of your choice.

Section 1: Demographic Background

Male ☐ Female ☐

The Educational Background

Diploma ☐ Bachelor’s Degree ☐ CPA or ACCA ☐ Master’s Degree

Years of experience

1 to 5 years ☐ 6 to 10 years ☐ 11 to 15

Position

Junior Auditor ☐ senior auditor ☐ Audit manager ☐

Section 2: Data related to research topic

Please put “XX” mark for the rate that best represents your prospective

SA= Strongly Agree (5) A= agree (4) N= Neutral (3) DA = Dis agree (2) SDA = strongly Dis Agree (1)

No	Internal Audit Independence	1	2	3	4	5
1	When conducting its work, internal audit is independent of outside interference.					
2	Any audit finding can be freely included by internal auditors in their audit reports.					
3	The board of directors (or audit committees) receives reports from internal audit.					
4	Internal audit committees, the board of directors, are in charge of making employment-related decisions.					
5	An internal auditor does not audit areas in which they participated when designing a system.					
6	The internal auditor does not participate in audits of activities that they were responsible for.					
7	Staff assignments in internal audit are rotated periodically.					
No	Value added as a Result of Internal Audit Function	1	2	3	4	5
1	Internal audit activities evaluate the operational and quality effectiveness of an organization					
2	Internal audits evaluate the effectiveness of governance and risk					
3	Assurances on business and process controls are provided by internal auditing					
4	Management believes that your function adds value to the organization.					
5	An auditee's attitude towards internal audits is one of support or rather fault finding					

No	Audit Committee Support in maintaining Independence	1	2	3	4	5
1	Internal audit function independence and competence are evaluated by the audit committee					
2	The audit committee review the scope of internal audits planned for the years					
3	The chief of internal auditors is evaluated by the audit committee about internal audit reports, the effectiveness of internal controls, and issues					
4	The audit committee evaluates the management's response to the suggestions made by internal auditors.					
5	The head of internal audit can be appointed or dismissed based on recommendations made by the audit committee.					

No	Management Action on Audit Findings	1	2	3	4	5
1	To assess the management action against the finding and recommendation of internal audit.					
2	The organization's management quickly responded to the audit's findings.					
3	The company's management actively implements the auditors' recommendations.					
4	The organization's management promised to strengthen internal auditing in every aspect.					
5	When management issues organizational rules and procedures, the corporation takes the internal audit report into consideration.					

APPENDIX B: INTERVIEW

This interview is designed to gather relevant information for research entitled An assessment of internal audit practice in the case of Ethiopian Construction Works Corporation in partial fulfillment of an MBA degree. I would also like to note that the information you provided will be confidential and used only for this specified research purpose. I would like thank you in advance for your corporation.

Interview questions

1. How can you elaborate the primary roles of internal audit in your company?
2. How do you think that internal auditor's roles conflict with one another? If yes can you give some examples?
3. To what extent do you think that the internal audit department is independent?
4. How do you describe the status of internal audit department in the company?
5. How do you see the management support to internal audit department?
6. How do you express the interactions between internal audit department and other departments in the company?
7. What role does the internal audit plays when it comes to external auditors?
8. How do you think that the internal audit department staffs have necessary skill, knowledge, and attitude to perform their role?
9. What guide line, rules and regulations does your company have to have a clear role of internal audit of the company?
10. Do you aspire to continue with your current role? Why?

APPENDIX C: Ethiopian Construction Works Corporation chart

