



**School of Post Graduate Studies**

**Department of Business Administration (MBA)**

**The Effect of Internal Audit on Effectiveness of Financial  
Management:the case of Ethiopian Trading Business Corporation  
Consumer Products Trade Business Unit (Alle Bejimila)**

**By**

**Teklay Negussie G/Krstos**

**Advisor: Misraku Molla (Ph.D.)**

**March 2023**

**Addis Ababa, Ethiopia**

**The Effect of Internal Audit on Effectiveness of Financial Management: the  
case of Ethiopian Trading Business Corporation Consumer Products Trade  
Business Unit (Alle Bejimila)**

**A Thesis Submitted to School of Post Graduate Studies Of Saint Marys  
University in Partial Fulfilment of the Requirements for the Award of a  
Master's Degree in Business Administration**

**By  
Teklay Negussie G/Krstos**

**Advisor: Misraku Molla (Ph.D.)**

**March 2023**

**Addis Ababa, Ethiopia**

## **Declaration**

This thesis is my original work and has not been presented in any other university and college. All sources and materials used are duly acknowledged.

Teklay Negussie

\_\_\_\_\_

\_\_\_\_\_

Name of candidate

Signature

Date

## **Approval from the Advisor's**

The Undersigned certifies that, He has read and hereby recommends for acceptance by the St Mary's University a thesis entitled: "*The Effect of Internal Audit on Effectiveness of Financial Management: The case of Ethiopian Trading Business Corporation Consumer Products Trade Business Unit (Alle Bejimila)*", in partial fulfilment of the requirements for the MBA of the St Mary's University.

Misraku Molla (PhD)

Supervisor

December 2022

**Approved by board of examiners**

We, the undersigned certify that we have and here by recommendation to the Saint Mary's university to accept the thesis submitted by Teklay Negussie G/Krstos entitled "*The Effect of Internal Audit on Effectiveness of Financial Management: The case of Ethiopian Trading Business Corporation Consumer Products Trade Business Unit (Alle Bejimila)*" for the fulfillment of the requirement for the award of a Master's degree in Business Administration.

Board of Examiners

Advisor:                      Name: \_\_\_\_\_                      Signature \_\_\_\_\_                      Date \_\_\_\_\_

External Examiner: Name \_\_\_\_\_                      Signature \_\_\_\_\_                      Date \_\_\_\_\_

Internal Examiner: Name \_\_\_\_\_                      Signature \_\_\_\_\_                      Date \_\_\_\_\_

Director:                      Name \_\_\_\_\_                      Signature \_\_\_\_\_                      Date \_\_\_\_\_

## **Acknowledgments**

I would like to take this opportunity to thank the Almighty God for his guidance, protection and sustenance throughout the thesis.

I would like to express my most sincere gratitude to my advisor Misraku Molla (PhD) for his guidance in the shaping up of my topic, who sacrificed his precious time to supervise this work, reading through and making valuable and analytical suggestions. Without his direction, this work would not have been completed.

Special thanks go to Ethiopian trading business corporation consumer products trade business unit (Alle Bejimila) staffs that helped me to fill the questionnaire and returned on time.

Next, I would like to thank my Parents for their all assistance to me to complete my education. I have lacked words to mention and I wish a long life for all my Parents.

In the same way, I would like to thanks my friends to encourage me about my education.

## Table of Contents

Title	Page
Declaration.....	i
Approval from the Advisor’s .....	ii
Approved by board of examiners.....	iii
Acknowledgments.....	iv
Table of Contents.....	v
List of tables.....	viii
List of figures.....	ix
Acronyms and Abbreviations .....	x
Abstract.....	xi
CHAPTER ONE.....	1
1.1 Background of the Study .....	1
1. 2 Statement of the Problem.....	2
1.3 Research Hypotheses .....	3
1.4 Research Objectives.....	4
1.4.1 General Objectives.....	4
1.4.2 Specific Objectives .....	4
1.5 Significance of the Study .....	4
1.6 Scope of the Study .....	5
1.7 Limitation of the Study .....	5
1.8 Organization of the study.....	5
1.9 Definition of Key Terms .....	6
CHAPTER TWO .....	7
Review of Related Literature .....	7
2.1 Introduction.....	7
2.2. Theoretical reviews.....	7
2.2.1. Concepts of Auditing .....	7
2.2.2. Internal Audit Effectiveness.....	7
2.2.4 Definitions of Financial Management.....	9
2.3 Descriptive of the Study Area.....	10
2.3.1 Organization Structure .....	11
2.4 Determinants of Internal Audit Effectiveness.....	12

2.5 Theories.....	13
2.5.1 Agency Theory.....	13
2.5.2 Contingency Theory.....	13
2.5.3 Lending Credibility Theory .....	15
2.6 Empirical Studies .....	15
2.7 Conceptual Frameworks and Development of Research Hypotheses.....	17
2.7.1. Conceptual Framework.....	17
2.7.2. Hypotheses Development .....	18
CHAPTER THREE .....	20
RESEARCH METHODOLOGY .....	20
3.1 Introductions .....	20
3.2 Research Design.....	20
3.3 Research Approach .....	20
3.4. Target Population.....	21
3.5 Sample Size.....	21
3.6. Sampling Technique .....	21
3.7 Method of Data collection and Data Sources.....	22
3.7.1 Types and Sources of Data.....	22
3.7.2 Instruments and Procedures of Data Collection.....	22
3.7.2. 1 Questionnaire .....	22
3.7.2.2 Semi-Structured Interview .....	22
3.8 Data Presentation and Analysis.....	23
3.9. Variable definition and Measurement.....	24
3.10 Regression Analysis Assumption Test.....	25
3.11 Data Validity and Reliability .....	27
3.11.1 Validity of Tool.....	27
3.11.2 Reliability.....	28
3.12 Ethical Considerations .....	28
CHAPTER FOUR.....	29
DATA PRESENTATION, ANALYSIS AND RESULTS .....	29
4.1 Introduction.....	29
4.2 Response Rate.....	29
4.3 Demographic Characteristics of the Respondents.....	30
4.4 Descriptive Analysis .....	32

4.4.1 Effectiveness of Financial Management .....	32
4.4.2 Internal audit proficiency .....	34
4.4.3 Quality of audit work .....	36
4.4.4 Organizational Independence.....	41
4.4.5 Career Development .....	45
4.4.6 Management Support .....	47
4.5 Inferential Statistics Data Analysis .....	49
4.5.1 Correlation Analysis .....	49
4.5.2 Regression Analysis.....	51
4.6 Discussion of Major Findings .....	54
Chapter Five.....	57
Summary of Major Findings, Conclusions and Recommendations.....	57
5.1 Introduction.....	57
5.2 Summary of Major Findings .....	57
5.3 Conclusion .....	59
5.4 Recommendations.....	60
Reference .....	61
Appendix I .....	66
Appendixes II.....	73

## List of tables

<b>Title</b>	<b>Page</b>
Table 3.1: Summary of Data Gathering Tools .....	23
Table 3.2 Multi-collinearity Test .....	26
Table 3.3: Alpha Coefficient for Each Section of Questionnaire.....	28
Table-4.1: Response rate of respondents (N=145) .....	29
Table 4.2 Mean score range for the five Likert scale responses.....	29
Table 4.3 Demographic characteristics of the respondents .....	30
Table 4.4 Effectiveness of Financial Management .....	33
Table 4.5 internal audit proficiency.....	36
Table 4.6 Quality of audit work.....	40
Table 4.7 Organizational independence .....	44
Table 4.8 Career Development .....	46
Table 4.9 management support.....	48
Table 4.10 Pearson Correlation .....	50
Table 4.11 Model Summary .....	51
Table 4.12 ANOVA.....	52
Table 4.13 Coefficients of determination .....	52
Table 4.14 Summary of Hypothesis Testing Results .....	56

## List of figures

Title	Page
Figure 2.1 Institutional structure of the organization .....	11
Figure 2.2 Conceptual framework of the Study (self-developed) .....	18
Figure 3.1 Normal P-P plots test .....	25
Figure 3.2 Linearity assumption .....	27

## Acronyms and Abbreviations

ACCA.....	Association of Chartered Certified Accountants
BIQ.....	Background Information Questionnaire
ESLSE.....	Ethiopian shipping & logistic service enterprise
IA.....	Internal Audit
IAE.....	Internal Audit Effectiveness
IAF.....	Internal audit function
IBEX.....	International Business Exchange
IIA.....	Institution of internal audit
LGA.....	Local Government Area
PEFA.....	Public expenditure and financial accountability

## **Abstract**

**Objective:** Investigated the effect of internal audit on effectiveness of financial management: the case of Ethiopian trading business corporation consumer products trade business unit (Alle Bejimila).

**Research Methodology:** Primary and secondary data sources were used. Mixed research approach is employed to triangulate data collected from questionnaire, interview and document analysis. Descriptive and explanatory research design were used to describe the and explain the different variables. The data were analysed through descriptive statistics and presented by frequency, %, pie chart and bar graph while inferential statistics such as Pearson correlation coefficient and multiple linear regression were employed to show the relationship between independent and dependent variables.

**Findings:** Internal audit team has an appropriate programme of continuing education through participating in professional development training programmes. The study identified that management decision making process is strongly affected by reports and internal audit conducted based on international standard. Moreover, the study addressed that internal audit participates in major decisions affecting the internal audit unit, designing systems, autonomous and independent of internal audit and internal auditors also have taken the authority in the organization. Internal audit unit was highly regarded and respected within the organization. In the context of management support, the study identified that top managers provide attention to internal auditor but assign small budget was allocated to run the tasks.

**Conclusion:** The study concludes that internal audit proficiency, quality of audit work, organizational independence and management support have a significant effect on effectiveness of financial management.

**Recommendation:** The study recommended that the organization can provide quality training, created smooth relationship between top management and staffs reduce interference and other can be performed to ensure effective financial management.

**Key words:** career development, effectiveness, independence, internal audit proficiency, organizational, quality of audit work,

# CHAPTER ONE

## 1.1 Background of the Study

Traditionally, internal audit has been viewed as just a financial compliance function and assistant tool for accounting department aims to safeguard the organizations' assets (Arena, 2013). Currently, it has become one of the major elements for companies by recognizing its place, roles, responsibilities, and contributions to the main internal and external stakeholders (Erasmus & Coetzee, 2018). The scope of internal auditing also has grown significantly in the recent years to cover more important functions within organizations such as risk management and internal control (Alzeban & Gwilliam, 2014). Therefore, a primary concern has appeared among the managers of the firms over the effectiveness of internal audit department and its role in improving the governance processes.

Internal auditing serves as an important link in the business and financial reporting processes of corporations and not-for-profit organizations. Internal auditors play a key role in monitoring a company's risk profile and identifying areas to improve risk management. The aim of internal auditing is to improve organizational efficiency and effectiveness through constructive criticism. Internal Auditing has four main components: viz; verification of written records, analysis of policy, evaluation of the logic and completeness of procedures, internal services and staffing to assure they are efficient and appropriate for the organisation's policies; and reporting recommendations for improvements to management. The subject is worthy of attention because internal auditors are important, even crucial, in an economy that relies upon independently produced information (Ejoh & Ejom, 2014).

However, the internal audit effectiveness has been questioned over the years now. According to Vanit (2010) as cited in Christian(2014) of 107 countries in which public expenditure and financial accountability (PEFA) assessment have been undertaken, only 2 countries scored A (A+) and only 4 scored B (B+) for the indicators on internal audit performance indicator. One hundred and one (101) countries scored either C or D for the effectiveness of internal audit, which concludes that globally internal audit effectiveness is not yet as firmly established in public sector as external audit.

In Ethiopia, different share companies were performed different activities to enhance their profit by offering various products to the market. ALLE is the first state of the art whole sale enterprise in Ethiopia. The aim of company was facilitate modern trade through best in class

practices in country wide cash and carry stores to modernize the distribution model and encourage private sector investment. In the same way, the company supply quality food and near food products at competitive prices to increase the affordability of goods to consumers and provide savings to the trade market. Also build a commercially viable and privately managed business acting as role model for professional business practices.

Therefore, the study particularly focused on the effect of internal audit on effectiveness of financial management: the case of Ethiopian Trading Business Corporation Consumer Products Trade Business Unit (Alle Bejimila). Finally, the remaining part of this chapter comprised the background of the study, statement of the problem, research questions, research objectives, and significance of the study, scope, limitation, definitions and finally the organization of the study.

## **1. 2 Statement of the Problem**

Internal audit is 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. The area of internal audit activity entails: reviewing accounting system and internal control, examining financial and operating information for management including detail testing of transactions; reviewing the economy, efficiency and effectiveness of operations and of the functioning controls, special investigations; enforcing management controls in the organization (Dada et al,2019).

Internal audit is an integral part of the finance structure of the public sector organizations. Christian (2014) argues that internal auditing in the public sector it is well structured and it is given the required mandate to perform, improve performances and serve as valuable resource in promoting good governance. According to Asmamaw et al, (2014) internal audit function is highly influenced by very limited environments for internal audit with poor internal control, poorly paid and motivated staff, lack of an ethical organizational culture, weak governance, lack of support from senior management and limited human resources. Moreover, there may also be a lack of appropriate regulations, resources and internal audit can suffer from low status and lack of independence.

Even though, the internal audits have many roles and contributions to the organization and the public interest, it also faces many challenges from the organization they work. Some of the challenges identified by the Ministry of Finance and Economic Development (2004), in their internal audit manual are lack of management respect, lack of independence, assignment

of internal auditors to many tasks and being ignored (conflict of interest) and lack of professional development. In addition, Mihret and Yismaw, (2007) in their case study on Ethiopian public Universities, they argue that internal audit recommendations are not afforded enough management attention and support which adversely affect the effectiveness of internal audit.

Moreover, lack of mechanisms in place to follow up the implementation of internal audit recommendations; absence of strategic plan and consistent documentation styles for audit work, lack of resources, poor leadership for internal audit function (IAF), absence of appropriate framework to measure IAF performance, and lack of competent personnel are also some challenges of internal auditors (Mihret & Yismaw, 2007).

As far as the researcher knowledge concerned there is no adequate research conducted in the local context on the effect of internal audit efficiency on effectiveness of financial management specifically in Ethiopian Trading Business Corporation Consumer Products Trade Business Unit (Alle Bejimila). However, Solomon et al, (2019) have a studied on the determinants of Internal Audit Effectiveness (IAE) in the Ethiopian Public Enterprise, Case of Southern Region. They mainly addressed the independence of auditors on the effectiveness of internal audit in public sectors, the level of competence of auditors on the effectiveness of internal audit in public sectors, the effect of relationships between internal and external auditors for internal audit effectiveness and the resources and size of internal audit department in public sectors. In addition to this, Desmond et al, (2018) studied on the effect of internal audit practices on financial management. The above studies have time gaps to address the current problem of internal audit effectiveness.

Therefore, the study conducted to answer the aforementioned problems and to fill the gaps in the existing literature on the effect of internal audit effectiveness of financial management based on the empirical evidence taken from Ethiopian Trading Business Corporation Consumer Products Trade Business Unit (Alle Bejimila) .

### **1.3 Research Hypotheses**

This study empirically tested the following research hypotheses

- H1: Internal audit proficiency has a positive significant effect on effectiveness of financial management
- H2: Quality of audit work has a positive significant effect on the effectiveness of financial management

- H3: Organizational independence has a positive significant effect on the effectiveness of financial management
- H4: Career development has a positive significant effect on the effectiveness of financial management
- H5: management support has a positive significant effect on the effectiveness of financial management

## **1.4 Research Objectives**

### **1.4.1 General Objectives**

The general objective of the study was to investigate the effect of internal audit on effectiveness of financial management in the case of Ethiopian Trading Business Corporation Consumer Products Trade Business Unit (Alle Bejimila), Addis Ababa.

### **1.4.2 Specific Objectives**

The study addressed the following specific objectives which are drawn from the general objective.

- To determine the effect of internal audit proficiency on the effectiveness of financial management
- To evaluate the effect of quality of audit work on the effectiveness of financial management
- To examine the effect of organizational independence on the effectiveness of financial management
- To determine the effect of career development on the effectiveness of financial management
- To investigate the effect of management support on the effectiveness of financial management

## **1.5 Significance of the Study**

The study will have practical, empirical and policy significance.

**Practical significance:** the study will help for an input for the concerned bodies to take measures on the factor which hinder on the effect of internal audit on the effectiveness of financial management.

**Policy Significance:** the study helps to policy makers to find out alternative measures through designing strategies to enhance the efficiency of internal audit on the effectiveness of financial management in Alle Share Company.

**Academic significance:** the study will provide input for future researchers to conduct a detail research by filling the gap of this study. Also it helps to develop theories to enhance efficiencies of internal audit on effectiveness of financial management.

## **1.6 Scope of the Study**

The study has thematic, time and geographic scope.

**Thematic scope:** the study mainly focused on the effect of internal audit on the effectiveness of financial management. In this case, the effect of management support, internal audit proficiency, quality of audit work, organizational independence and career development were addressed.

**Time scope:** it was a cross sectional study which collected data for a given point of time.

**Geographic scope:** it was encountered in Addis Ababa City Administrations: the case of Ethiopian Trading Business Corporation Consumer Products Trade Business Unit (Alle Bejimila).

## **1.7 Limitation of the Study**

In conducting this study, the researcher has encountered certain problems which are considered as a limitation of the study. Among other things some respondents haven't showed willingness to give information and become halfhearted to deliver right information. Although this result in wastage of time to organize fragmented information as the research demands quality work, the researcher solved the problem in designing several strategies. The researcher reacted with respondents wherever the environment is conducive for the respondents. In addition to this, the researcher tried to tell the respondents to fill the questionnaire on time through providing orientation before distributed the questionnaire. At the same time, the adequate literature was used to address misinformation existing in the study.

## **1.8 Organization of the study**

Overall, the study organized into five chapters. The first chapter contains background of the study, problem statement, objectives of the study: general and specific, research questions, scope of the study, limitation, significance of the study, and definition of key terms. The second chapter deals with related literature on theoretical frame work, empirical literature reviews and conceptual frame work. The third chapter consists of the research design and methodology to be applied. The fourth chapter deals with data analysis, results and interpretation of data. Finally, the last and fifth chapter give due attention to the summary of findings, conclusions and recommendations.

## **1.9 Definition of Key Terms**

The study clarified the following key terms

**Internal audit:-** is an independent, objective assurance and consulting activity designed to add value and improve company's operation. It helps an organisation accomplish objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process (Robertson, 1976).

**Financial Management:** - in the context of the study, financial management is the management of the finance of the organization through internal audit activities.

## **CHAPTER TWO**

### **Review of Related Literature**

#### **2.1 Introduction**

A review of literature is crucial as it shows a picture of the state of knowledge in the area of study. This chapter review various literatures in the fields of internal audit and effect it has on financial management of in share companies.

#### **2.2. Theoretical reviews**

##### **2.2.1. Concepts of Auditing**

In the beginning, employers were controlling their business by themselves. Through time, however, as their wealth grows from time to time they require someone to control their wealth by asking their treasure on behalf of them and report the result periodically. People call this someone during the medieval times as “auditor”, which was derived from a Latin word “audire” which means “to hear”. As Kagermen (2008) defined auditing as a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users. Auditing is analytical, not constructive; it is critical, investigative, concerned with the basis for accounting measurements and assertions. Auditing emphasizes proof, the support for financial statements and data. Auditing has its principal roots, not in accounting, which it reviews, but in logic, on which it leans heavily for ideas and methods. The overall objective of every audit engagement includes: to evaluate whether financial statements and accompanying footnotes are in accordance with specified criteria, evaluate the effectiveness and appropriateness of internal control systems over financial reporting, to evaluate the possibility of fraud occurring within the organization and to evaluate the likelihood that the organization will continue as a going concern (Solomon, 2019).

##### **2.2.2. Internal Audit Effectiveness**

Internal audit quality is decided by the internal audit department's capability to supply valuable discoveries and suggestions, is central to audit effectiveness. Internal audit needs to demonstrate that it is of esteem to the organization and earn notoriety within the organization. Internal audit should assess its execution and persistently progress its benefit. Review quality may be a work of the level of staff mastery, the scope of administrations given and the degree to which reviews are legitimately arranged, executed and communicated (Sawyer, 2013).

This definition implies that internal audit has experienced a worldview move from an accentuation on responsibility almost the past to making strides future results to assist audits

work more successfully and proficiently. Since, the definition equally serves both the private and the public sectors; it is used in this study as a basis to analyse public sector internal audit effectiveness. This definition signifies that internal audit has undergone a paradigm shift from an emphasis on accountability about the past to improving future outcomes to help audited operate more effectively and efficiently. Since, the definition equally serves both the private and the public sectors; it is used in this study as a basis to analyse public sector internal audit effectiveness (Sayage, 2016).

Audit effectiveness means different things to different people the outcome of an effective audit includes financial statement that present a true and fair view, and advice on how the company's processes may be improved. An effective completed to schedule, and with minimal disruption to the company. Effectiveness is the achievement of goals and objectives is the achievement of goals and objectives using the factor measures provided for determining such achievement. However, it has been traditional in internal auditing effectiveness can be accomplished by evaluating the quality of internal auditing procedure (Sayage, 2016).

Institution of internal audit IIA (2013) defined internal audit effectiveness as the degree (including quality) to which established objectives are achieved. While Marika Arena. (2013) give their own definition which is in line with the ability of the internal auditor intervention in prevention and correction of deficiencies and they finally defined internal audit effectiveness as the number and scope of deficiencies corrected following the auditing process. Therefore going by the definition of effectiveness and audit effectiveness, it's clear that audit effectiveness or internal audit effectiveness is means the same thing because they all have central target which is the ability of achieving established objective.

Effective internal audit system helps in achieving performance, profitability and prevent in loss of revenue particularly in public sector. Even through (Sayage, 2016) observed that effectiveness of audit in a public sector organization. It is quite interesting that audit effectiveness is an outcome of auditors' activities, Duties, Professional practices and responsibilities through a high commitment with audit standards, goal, objectives, polices and procedure. Also Institute of internal audit (IIA, 2013) defined internal audit effectiveness as the degree (including quality) to which established Objective is achieved.

Badara & Saidin (2014) shows that highly experienced auditor perform more effectively than other with less experience because experienced auditor have the ability to process

information, Make successful comparison about the alternative solutions for auditing findings and initiate subsequent actions.

Badara and Saidin (2014) referred to that auditors experience is a remarkable predictor for knowledge person couldn't equally have acquired all types of knowledge. Many studies suggest that internal auditors' knowledge in public sector organization play a very important role by guiding the audited and organization.

The effectiveness of internal audit greatly contributes to the effectiveness of each audited in particular and the organization at large has also observed that if internal audit quality is maintained, it will contribute to the appropriateness of procedures and operations of the audited, and thereby internal audit contributes to effectiveness of the audited and the organization as a whole. Using agency theory, Bou, (2017) explained the role that internal audit plays in an economy and points out that internal audit has an advantage over external audit in obtaining information quickly and finding problems at an earlier stage; and applying the theory of transaction cost economics, demonstrated how internal audit recommendations are important to the management of government organizations.

In addition, More experienced auditors have aware more about the influence of the influence of the regulation on auditing process which in turn improve their auditing which in turn improve their auditing quality more than the inexperience ones (Bou, 2017).

#### **2.2.4 Definitions of Financial Management**

Financial management is among key functional areas, which are used to evaluate the performance measure of the LGA. Financial management means the entire managerial efforts devoted to the management of finance, both its sources and uses of the enterprises (Maheshwari, 2008). On the other hand, "financial management is concern with the efficiency use of important economic resources" (work of Solomon as cited by Maheshwari). This means that, it is concerned with the managerial decisions that result in the acquiring and financing credits for the organisation.

Light, as cited in Ojo (2009) has given a more elaborated definition by saying that "financial management is a method of showing and ascertaining the financial position of government or business from time to time on how to use funds efficiently". Thus, financial management is mainly concerned with the proper management of funds towards achieving the organisation's goals.

### **2.3 Descriptive of the Study Area**

The Ethiopian Trading Businesses Corporation is the Public Enterprise established on 22nd December, 2015 by the Council of Ministers pursuant to Article 5 of the Definition of Powers and Duties of the Executive Organ of the Federal Democratic Republic of Ethiopia Proclamation No. 916/2015 and Article 47/1 of the Public Enterprises' Proclamation No. 25/1992.

The Corporation consolidated the former four business Enterprises known as Ethiopian Grain Trade Enterprise, Ethiopian Fruit and Vegetable Sh.co, Ethiopian Trading Enterprise (Alle) and Procurement Service Enterprise.

The corporation is established many purposes such as purchase selected agricultural and industrial products and basic commodities from both local and foreign markets competitively and as such to stabilize domestic market; selective production of agricultural crops ,fruits and vegetables; buy, distribute and maintain stock and sell to domestic and foreign market; purchase and sell products in domestic and foreign markets on the basis of prevailing market price; provide support to and motivate farmers with view to raise their interest to produce agricultural products and ensure that agricultural products get reliable market; instill and operationalize modern, efficient, effective, responsible and accountable trading systems; cooperate with concerned research, educational and training institutions to have skilled man power in the required quantity, field of expertise and quality required for its operations; and provide consultancy, procurement and training services on national and international procurement.

The Ethiopian Trading Businesses Corporation has four main Units; these are:

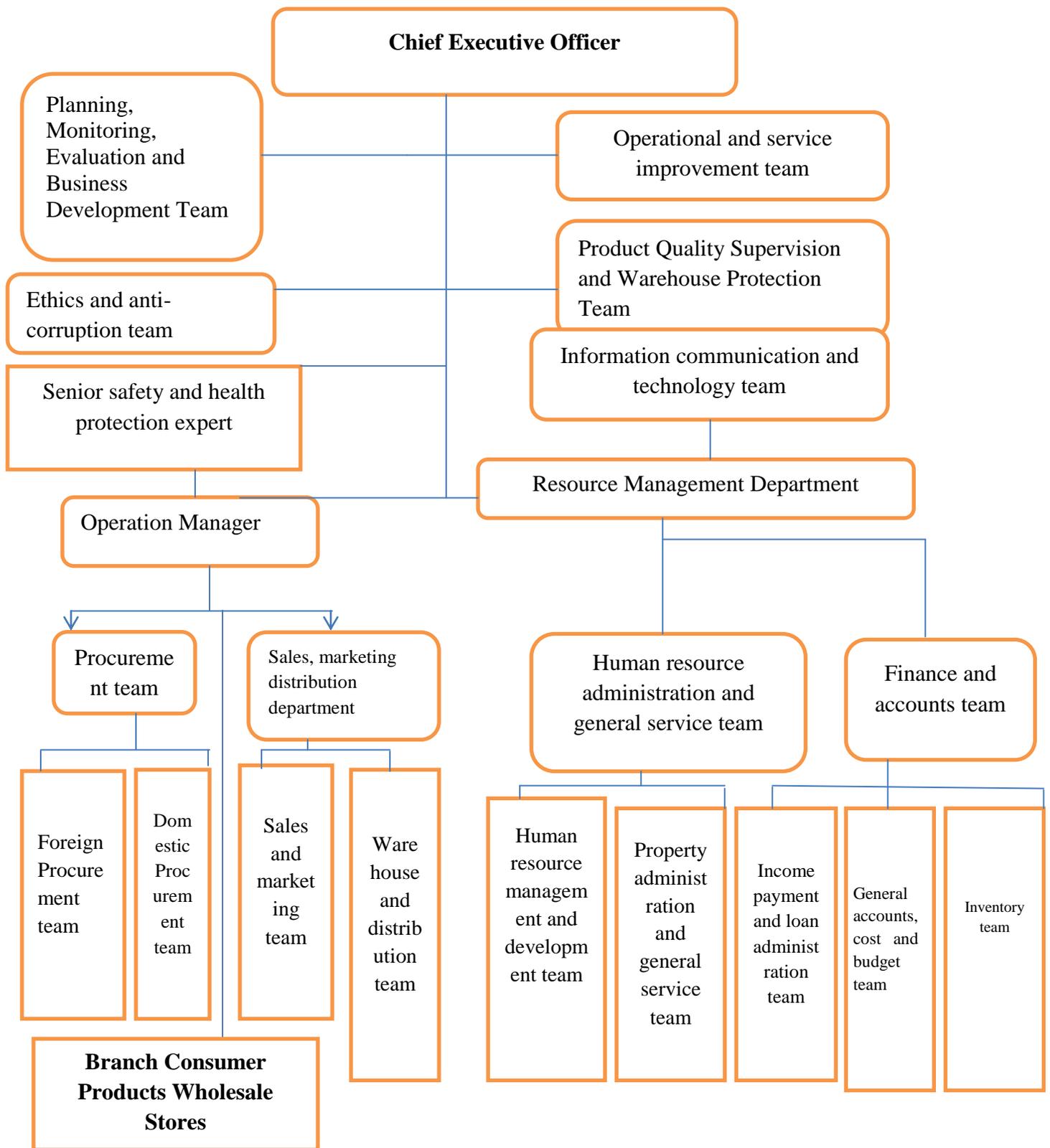
1. Grain and Coffee Trading Business unit,
2. Fruit & Vegetables Trading Business Unit,
3. Consumer Products Trading Business Unit (Alle) and
4. Procurement and Consultancy Service Unit.

However, this study mainly focused on consumer Products Trading Business Unit (Alle).

This is the wholesaler, which purchases basic commodities from local and international markets and distributes it through the retailers for the purpose of meeting local consumers' need. The Unit is capable of making a real difference in the lives of ordinary consumers through developing a long term, win-win relationship with businesses that provides day-to-day essential goods to a wide consumer base as well as by promoting overall market stability and product.

### 2.3.1 Organization Structure

The institutional structure of the organization was indicated as follows



Source: Ethiopian trade Enterprise Corporation (2022)  
 Figure 2.1 Institutional structure of the organization

## **2.4 Determinants of Internal Audit Effectiveness**

We adapted the determinants of effective internal auditing as used by Cohen and Sayag (2010). The first three determinants (professional proficiency of the auditors; the quality of auditing work; and the organisational independence of auditing departments) represent instances where the auditor's interests reflect those of the profession, rather than the employing organisation. The last two determinants (career advancement; and top management support) represent instances where the interest of the employing organisation takes precedence over that of the internal auditor's profession.

Professional proficiency is the expertise, specialized knowledge and abilities in a field which one is practising professionally. Appropriate staffing of an internal audit department (Al-Twajry, Brierley, & Gwillian, 2003) and good management of that staff are keys to the effective operation of an internal audit department.

Staff of an IA unit should have the requisite education, training and experience to conduct the full range of audits required by its mandate. Quality of audit work is the degree or extent of excellence in the audit work which is normally achieved when the audit work is performed according to IA standards.

Organisational independence is the state, condition, quality or process of being independent through organisational placement and reporting lines of the IA department. Bou-Raad (2000) argues that the strength of an IA department must be assessed with respect to the level of independence it enjoys from management and from operating responsibilities.

Career advancement is an individual's journey through learning, work and other aspects of professional life. It is evident through one's progress in one's job, promotion in rank or improvement in status. Goodwin (2001) posits that, internationally, the practice of staffing the IA department with career auditors is becoming less common, with more organisations using the function as a training ground for future management personnel. This practice is designed to help the organisation train well-rounded senior managers. The last determinant, top management support, refers to high level managers in an organisation giving active approval, encouragement and assistance to employees (Fernandez & Rainey, 2006).

## **2.5 Theories**

### **2.5.1 Agency Theory**

Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals (such as shareholders) and agents of the principals (for example, company executives). The two problems that agency theory addresses are: the problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify what the agent is actually doing and the problems that arise when the principal and agent have different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions (Nancy, 2013).

Adams (1994) in his article stated that Agency theory can provide for richer and more meaningful research in the internal audit discipline. Agency theory contends that internal auditing, in common with other intervention mechanisms like financial reporting and external audit, helps to maintain cost-efficient contracting between owners and managers.

Agency theory may not only help to explain the existence of internal audit in organizations but can also help explain some of the characteristics of the internal audit department, for example, its size, and the scope of its activities, such as financial versus operational auditing.

Agency theory can be employed to test empirically whether cross-sectional variations between internal auditing practices reflect the different contracting relationships emanating from differences in organizational form.

### **2.5.2 Contingency Theory**

The goal of an audit is to test the reliability of a company's information, policies, practices and procedures. Government regulations require that certain financial institutions undergo independent financial audits, but industry standards can mandate audits in other areas such as safety and technology. Regardless of the audit subject, various factors impact a company's final results, and the contingency theory takes these factors into account during the audit process (Nancy, 2013).

The contingency theory of leadership and management states that there is no standard method by which organizations can be led, controlled and managed. Organizations and their functions depend on various external and internal factors. The functions of audits are themselves, types of organizations that are affected by various factors in the environment. The presence of such factors is why auditing can be managed by applying the contingency theory, with a recognition that processes and outcomes of audits are dependent on variable and contingent factors (Nancy, 2013).

On a broad level, the audit process is straightforward. Auditors require access to documents, systems, policies and procedures to manage an audit. They must remain compliant with industry standards, government regulations and internal requests. Audit teams may begin the audit process with meetings where they gather risk and control awareness, after which the field work begins. During the audit process, auditors perform substantive procedures and test controls. They then draft reports that they submit to management and regulatory authorities. The audit sub processes, particularly in planning and field work, include contingencies such as business type, employee skill level, applicable laws, available audit workforce, available technology and systems, and deadline(Nancy, 2013).

Daft (2012) in his book writes: —Contingency means: one thing depends on other things‖ and —Contingency theory means: it depends.‖ Audit functions are task-oriented and can be loosely structured. The functions also can vary considerably, depending on the area of a company under audit and the type of business model, so auditors must carefully manage their inspections and take variables into account to get the job done.

The contingency theory also can be applied to an audit team’s structure. Typically, audit team managers receive audit projects.

They then create ad hoc audit teams for the projects, selecting auditors based on expertise and experience in the subject areas, and on auditor availability, all of which add up to contingencies for any given audit project.

Audit teams use a mix of structure and contingency to get the output rolling quickly. The subject of auditing projects can include such diverse areas as evaluation of production processes, inspection of company accounts, and assessment of compliance with industry standards. Selecting auditors with specialized training or those who have a particular skill set in the subject area minimizes the learning curve and reduces opportunities for errors.

The quality and output of audits remain assured when audit teams use resources according to expertise and experience, and when auditors are flexible and can adapt to process fluctuations. For example, an auditor experienced in evaluating financial instruments can be effective in an audit exercise of a bank or hedge fund, even when the financial instruments the institution offers do not fit the typical mould (Davoren, 1994).

### **2.5.3 Lending Credibility Theory**

Volos in (2007) in his book mentioned that the lending credibility theory is similar to the agency-theory and it states that audited financial statements can enhance stakeholders faith in management's stewardship. The business world consists of different groups that are affected by, or participate in, the financial reporting requirements of the regulatory agencies. They are shareholders, managers, creditors, employees, government and other groups. The major recipients of the annual reports are the shareholders, including individuals with relatively small shareholding and large institutions such as banks or insurance companies. Their decision is usually based on the financial reporting and the performance of the company's management, who have a responsibility to act in the interests of investors. Thus, the purpose of the financial statements.

The auditor is appointed by the company's shareholders and reports his results to his clients. The aim of the auditor's report is to comment on how accurately the company presents its financial situation and how it is performing. This should reassure the shareholders that their investment is secured and also help to reduce the practice of misleading accounting procedures designed to show the company in a more favourable light. Basically, the audit is represented as a process designed to evaluate the credibility of information of a company's financial statements (Letza, 1996).

### **2.6 Empirical Studies**

Some of the empirical studies related to the purpose of this study explained briefly as follows. Desmond et al (2018) studied the effect of internal audit practices on financial management. The finding of the study revealed that the financial performance of internal auditors regarding the mandated guidance in the university is very great as indicated by 58.8% of the respondents. Internal auditors in the university have relevant qualification and experience to influence financial performance.

In addition, the independence of internal audit function and management assistance was identified as significant determinants of financial performance in the university. Challenges including inadequate staff, accommodation, and lack of office space are currently facing internal audit in the university. Finally, management implementation of internal audit recommendation has been found not to be effective. The study concluded that there are effective internal audit practices necessary for influencing financial performance. The challenges associated with internal audit practices limits the extent to which financial performance could be improved. It is recommended that management of the university should

focus on recruitment of internal auditors for the various faculties than upgrading the existing ones (Desmond et al, 2018).

Nansamba (2019) studied on the effect of internal audit on financial performance of commercial banks in Uganda; a case study of Stanbic bank Kansanga branch.

The study found internal audit standards, independence of internal audit, professional competency and internal control had a positive relationship with financial performance of commercial banks, the study found that a unit increase in internal audit standards would lead to increase in financial performance of commercial banks, a unit increase in independence of internal audit would lead to increase in financial performance of commercial banks, a unit increase in professional competency would lead to increase in financial performance of commercial banks and further unit increase in internal control would lead to increase in financial performance of commercial banks.

Fikre (2019) examined the effect of internal audit on the financial performance of bureau of finance & economic development of the Oromia regional state. The study addressed that independence of internal audit, professional competency and internal control had a positive relationship and also internal audit standards and support of management had a negative relationship with financial performance of organization. The studied found that a unit increase in independence of internal audit, professional competency, internal audit standards, support of management, and internal control would lead to increase the financial performance of organization.

From the literature review, several researchers seem to be together that there was a relationship between internal audit and financial performance of an organization. These conclusions would confirm after empirical evidence would obtain from the research and not identify prefer studied how support of management and Understanding more effective, concerns on audit software's Such as IBEX, automation, fraud detection, audit exporting, data mining and network security internal audit unit needs much more emphasis. This providing gabs to study as explain above. The study recommends that management in organization should adopt effective internal audit practices such as internal auditing standards, independence of internal audit, professional competency, management support and internal controls to extend financial performance of the Bureau of Finance & Economics Development.

Christian(2014) indicated his study that there was inefficiency of internal audit units that is two out of six councils had efficiency while the rest were not efficient. In addition, it found that two out of six councils had better in financial management. Moreover, there a positive was relationship between internal audit efficiency and financial management effectiveness in Shinyanga LGAs. It seems to be strong with positive correlation of about 87.3%. Results also revealed that there were many factors that hindered financial management effectiveness these included: poor leadership in finance department, low salary, political interference and inconsistency of government policies. In the meantime, inadequate resources, lack of experience and poor relationship between internal audit efficiency and financial management effectiveness were main factors hindered efficiency of the internal audit.

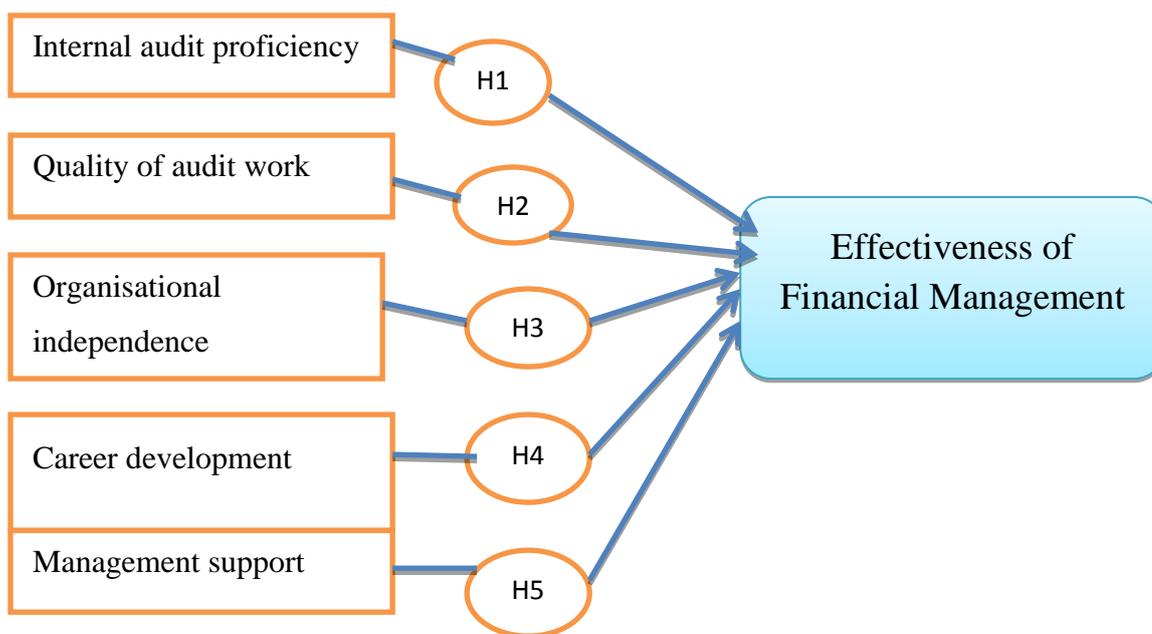
Mekdes (2021) studied the effects of internal audit practice on organizational performance; the case of Ethiopian shipping & logistic service enterprise (ESLSE). Internal audit effectiveness positively affected by internal control, corporate governance, risk management and management support of the organization. In addition the study finding also showed that effectiveness of internal audit has direct impact on organizational performance of the company. From the analysis of the study, the study concludes that independence of internal audit, professional competency, internal audit standards, and internal control had a strong & positive relationship with organizational performance of ESLSE. The study finally recommended that management in ESLSE should adopt effective internal audit practices such as internal auditing standards, independence of internal audit, professional competency and internal controls to improve their organizational performance.

Therefore, the above empirical studies organized in other organization. Internal audit effectiveness may vary from organization to organization. To address the current problems of internal audit effectiveness, this study was investigated by undertake Alle Bejimla Share Company in Addis Ababa as the target of the study.

## **2.7 Conceptual Frameworks and Development of Research Hypotheses**

### **2.7.1. Conceptual Framework**

As we know independent variables are variables which determine the dependent variables. In this case, the researcher identified various independent variables that affect the dependent variables such as internal audit proficiency, quality of audit work, organisational independence, career advancement and top management while financial management effectiveness is the dependent variables.



**Figure 2.2 Conceptual framework of the Study (self-developed)**

### 2.7.2. Hypotheses Development

**Internal audit Proficiency:** Quality internal auditing is capable of assisting an establishment to actualize its objectives (Macrae & Van Gils, 2014). The financial regulations mandated all public establishments to have an internal audit department. Macrae and Van Gils (2014) stated that with internal audit existence, risks and systems weaknesses are easily evaluated; measures for remedy and sustained improvements are initiated. A factor that determines the quality of internal audit work includes their competency. Therefore, it was hypothesized that; **H1:** Internal audit proficiency has a positive significant effect on effectiveness of financial management

#### **Quality of audit work**

Al-Khaddash, Al Nawas and Ramadan (2013) focused on identifying the most important factors affecting audit quality in Jordanian Commercial Banks (JCBs). The perceptions of JCBs' internal and external auditor's in addition to financial managers were investigated. The study adopted questionnaire method as a means for data collection to examine the main factors affecting auditing quality. The study implemented a number of statistical techniques and procedures that help to examine research hypotheses. The quality of the internal audit according to Moeller, (2011) is an internal investigation conducted regularly, and in the same manner as the internal audit others, by members of the internal audit staff to assess the quality of the audit work performed. It was therefore hypothesized that;

**H2:** Quality of audit work has a positive significant effect on effectiveness of financial management

**Organizational independence:** According to Chun (1997), “independence is the core of auditing. This entails that; an internal auditor ought to be independent of both the personnel and operational activities of an organisation. Otherwise, the veracity of auditor’s opinions, conclusions and pragmatic recommendations would be suspect. This means that independence is very critical and essential for the effective accomplishment of the function and objective of internal audit. This independence is basically obtained mainly from two features-organisational status and objectivity” Alzeban & Gwilliam (2014) also confirm that increasing weight is now being placed on the need for internal auditors to be independent and objective, even though they are normally employees of organizations. They stated lack of independence as the main obstacle to satisfactory internal audit performance in a number of developing countries (Alzeban & Gwilliam, 2014).

It was therefore hypothesized that;

**H3:** Organization independence has a positive significant effect on effectiveness of financial management

### **Career and development**

Career development is an individual’s journey through learning, work and other aspects of professional life. It is evident through one’s progress in one’s job, promotion in rank or improvement in status. Goodwin (2001) posits that, internationally, the practice of staffing the IA department with career auditors is becoming less common, with more organisations using the function as a training ground for future management personnel. Thus the hypothesis indicated as follows.

**H4:** Career development has a positive effect on the effectiveness of financial management

### **Management Support**

To a large extent, internal audit is as useful as management allows it to be. The study of Abdulaziz and Nedal (2013) revealed that the Internal Audit Department suffers due to less support from Senior Management. If internal audit issues report which are critical of certain part of the organization and management takes no action for political reasons, this would only serve to undermine the internal audit function and reduces its performance. It was therefore hypothesized that;

**H5:** Management support has a positive significant effect on effectiveness of financial management

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introductions**

This chapter presents the research design and the methodology used in gathering data for the study. In this case, the study has contained the research design, population and sampling technique, data collection instruments, data collection procedure and data analysis techniques, reliability, validity and ethical considerations.

#### **3.2 Research Design**

A good research design allows research to draw valid inferences that can advance scientific knowledge. To accomplish the objective and to seek answers to the research questions, descriptive study was used to obtain information about the effects of internal audit efficiency on the effectiveness financial management. According to Mugenda (1999) the purpose of descriptive research was determined and reported the way things are and it helps in establishing the current status of the population. In addition to this, descriptive research design to describe the characteristics of the data as it exists. In the same way, the researcher used explanatory research to explain the different variable which hinders internal audit efficiency to bring the effectiveness of financial management in the study area.

#### **3.3 Research Approach**

For the purpose of this study, concurrent/parallel mixed approach like quantitative and qualitative data have used. Combination of two research approaches gives better interpretation as the information missed by one might be captured by the other and thus an enhance and integrate result may emerge from the analysis. According to Leech and Onwuegbuzie (2006), an increasing number of researchers utilized mixed methods researches to undertake their studies in order to draw meaningful results from both types of data. With due respect, the qualitative method was appropriated to study that was selected issues in depth and to assess attitudes and opinions of the respondents and was collected through interview.

It seeks a better understanding of complex situations and often descriptive in nature. The Quantitative method helps to generate extensive information (breadth) and provides results which can be condensed to statistics and was collected through opened and closed questionnaire.

For this reason, the researcher employed both qualitative and quantitative data collection instruments to gather accurate data and information from respondents involved in the study area.

### **3.4. Target Population**

Population means the totality of individuals from which some sample is drawn. The target population of this research is employees who are working Ethiopian Trading Business Corporation Consumer Products Trade Business Unit. In this case, different directorates' staffs were participated in the study. The total number of employees working in Ethiopian Trading Business Corporation Consumer Products Trade Business Unit was 242 (Ethiopian Trading Business Corporation, 2022).

### **3.5 Sample Size**

Sample size is represented as an optimum size of sample is one which fulfills the requirements of representativeness and reliability. From this study, the sample size of the participants were selected based on the following formula Yamane's (1967) at 95% Confidence level and 5% of Margin of error. The formula usually was applied when the population parameter was known. The total population in the study area was 242. Therefore, the sample size was calculated as follows.

$$n = \frac{N}{1 + NE^2}$$

Whereas n = sample size, N= Total population, E= Margin of error

$$n = \frac{242}{1 + 242(0.05)^2}$$

$$n = \frac{242}{1.605}$$

$$n = 151$$

Therefore, the sample size was 151

### **3.6. Sampling Technique**

The researcher used both probability and non-probability sampling technique. From the probability sampling technique, simple random sampling was used. This means the researcher has given equal chance for the respondents to attain accurate information about the study. In addition, simple random sampling was appropriate in this study because there was homogenous population among the staffs who are working in Ethiopian Trading Business Corporation Consumer Products Trade Business Unit.

On the other hand, purposive non-probability sampling technique was used to conduct interview. In this case, the researcher tried to select participants based on their experience, skill and related in to their positions. This helps to get adequate information what the researcher want to address. Therefore, different directorates' director working in the organization was purposively selected for interview.

### **3.7 Method of Data collection and Data Sources**

#### **3.7.1 Types and Sources of Data**

In this study uses primary data. The primary data were collected from in Ethiopian Trading Business Corporation Consumer Products Trade Business Unit directorate director, team leaders and officers through a questioner data collection instrument.

#### **3.7.2 Instruments and Procedures of Data Collection**

In order to examine the effect of internal audit on the effectiveness of financial management, data were gathered from both primarily and secondary sources to meet the objective of the study. The major instrument to be used for data gathering was standardized questionnaires through referring other researcher's questionnaire as a sample and interview were used to collect in-depth information from the respondents.

##### **3.7.2. 1 Questionnaire**

The questionnaires were classified into three parts. The first part of the questionnaire includes Background Information Questionnaire (BIQ). The first part was helped to obtain background information of respondents relevant to the study. Participants were asked to provide information with regard to their sex, age, experience and educational qualifications. The second was the effect of internal audit efficiency on financial management effectiveness and the third part was focused on the effectiveness of financial management in the study area. The second and third part of the questionnaires were used five point Linker scale ranging from 1-5 (where 1=strongly disagree, 2=disagree, 3= neutral, 4= agree, 5= strongly agree).

##### **3.7.2.2 Semi-Structured Interview**

For the purpose of obtaining firsthand qualitative information, an interview was conducted with interview participants. "Interviews provide in-depth information pertaining to participants' experiences and viewpoints of a particular topic" (Turner, 2010. p.56).

Moreover, the interviewer overcome resistances of the respondents, samples were controlled more effectively and non-response generally remains very low and interviews are a frequent and important part of empirical research due to the fact that quantification of ideas believed was created the understanding of the process (Tadele, 2017).

**Table 3. 1: Summary of Data Gathering Tools**

No	Objective	Approach		Data Gathering Instrument	Participant
		Qualitative	Quantitative		
1	To determine the effect of internal audit proficiency on the effectiveness of financial management	✓	✓	Interview and questionnaire	Directorate director, team leader and officers
2	To evaluate the effect of quality of audit work on the effectiveness of financial management	✓		Interview, and questionnaire	Directorate director, team leader and officers
3	To examine the effect of organizational independence on the effectiveness of financial management	✓	✓	Questionnaire and interview	Directorate director, team leader and officers
4	To determine the effect of Career development on the effectiveness of financial management	✓	✓	Questionnaire and interview	Directorate director, team leader and officers
5	To investigate the effect of management support on the effectiveness of financial management	✓	✓	Questionnaire and interview	Directorate director, team leader and officers

**Source: own constructed (2022)**

### **3.8 Data Presentation and Analysis.**

The data were analysed through qualitative and quantitative method. Descriptive statistics was used to analyse the data and presented by mean, standard deviation, frequency and percentage with the given statement under each Linker type questions as well as for the analysis of the secondary data while qualitatively, the data were analysed in a narrative form.

The questionnaire was coded according to each variable of the study to ensure the margin of error is minimized and assure accuracy during analysis.

The coded data was analysed using quantitative and qualitative techniques. Quantitative techniques used were descriptive statistics which includes the mean, frequency, percentages and standard deviations while qualitative techniques used was content analysis. Data was analysed using Statistical Package for Social Sciences (SPSS). The data was graphically presented using tables and figures. Multiple linear regression analysis was used to establish the relationship between the study variables. The multiple regression equation was as outlined below.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \varepsilon$$

Where:

Y is the dependent variable (effectiveness of financial management);

$\beta_0$  is the regression constant;

$\beta_1$ ,  $\beta_2$ ,  $\beta_3$ ,  $\beta_4$  and  $\beta_5$  are the coefficients of independent variables;

X1 is internal audit proficiency;

X2 is quality of audit work;

X3 is organizational independence;

X4 is career development;

X5 is management support; and

$\varepsilon$  is the error term.

### 3.9. Variable definition and Measurement

- **Internal audit Proficiency:** Competency of internal auditors determines the quality of the audit work performed in an organization. According to Furiady and Kurnia (2015), competency is measured in terms of academic level, experience, skill and the effort of the staffs for continuing professional development.
- **Quality of Audit Work:** The ability to communicate audit reports and other findings and recommendations in time and at the same time to have prompt response from decision makers is quite important in achieving organizational performance (Enofe, Mgbame, Otuya & Ovie, 2013). this can be measured by internal audit size, independence of the internal audit , proficiency of internal auditor
- **Organization independence:** this is the part of the management and equally expected to evaluate the activities of entire management, the required organizational independence allow them to function efficiently to the overall performance of the organization. Therefore, the variable can be measured through no interference and Organisation structure that allows effective operation.

- **Career development:** this is an independent variable which employees can upgrade their profession. It can be measured through participate in professional development training, Promotion and the level of respecting in the organization.
- **Management support:** This is defined as all efforts provided by the top level management to its internal audit function, geared towards attaining the goals and objectives of the internal audit department, and the overall organizational goals. This is measured using provision of goodwill and resources management style and organization structure.

### 3.10 Regression Analysis Assumption Test

Before applying regression analysis, the researcher tests its assumptions like normality, linearity, multi-collinearity assumption and autocorrelation.

**Normality test:** in order to determine normality graphically, one can use the output of a normal P-P Plot. If the data are normally distributed, the data points will be close to the diagonal line. If the data points stray from the line in an obvious non-linear fashion, the data are not normally distributed. As shown in figure 3.1 the normal P-P plot below, the data is normally distributed.



**Figure 3.1 Normal P-P plots test**

**Multi co linearity analysis test:** The researcher has checked if multi co linearity problem exist or not before running the regression. Multi co linearity refers to the situation in which the independent/predictor variables are highly correlated. When independent variables are multi co linear, there is “overlap” or sharing of predictive power. Multi-collinearity can be checked using the tolerance and variance inflation factors (VIF) which are the two Co-linearity diagnostics factors Multi co linearity Test.

**Table 3.2 Multi-collinearity Test**

Model	Co linearity Statistics	
	Tolerance	VIF
Internal audit proficiency	.501	1.995
Quality of audit work	.244	4.101
Organizational independence	.232	4.315
Career development	.292	3.419
Management support	.963	1.039

**A. Dependent; effectiveness of financial management**

Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent. If this value is very small (less than 0.10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multi co linearity. Accordingly, the above table the tolerance value for all independent variables is greater than 0.1, which implies that there is no multi co linearity problem in connection with tolerance.

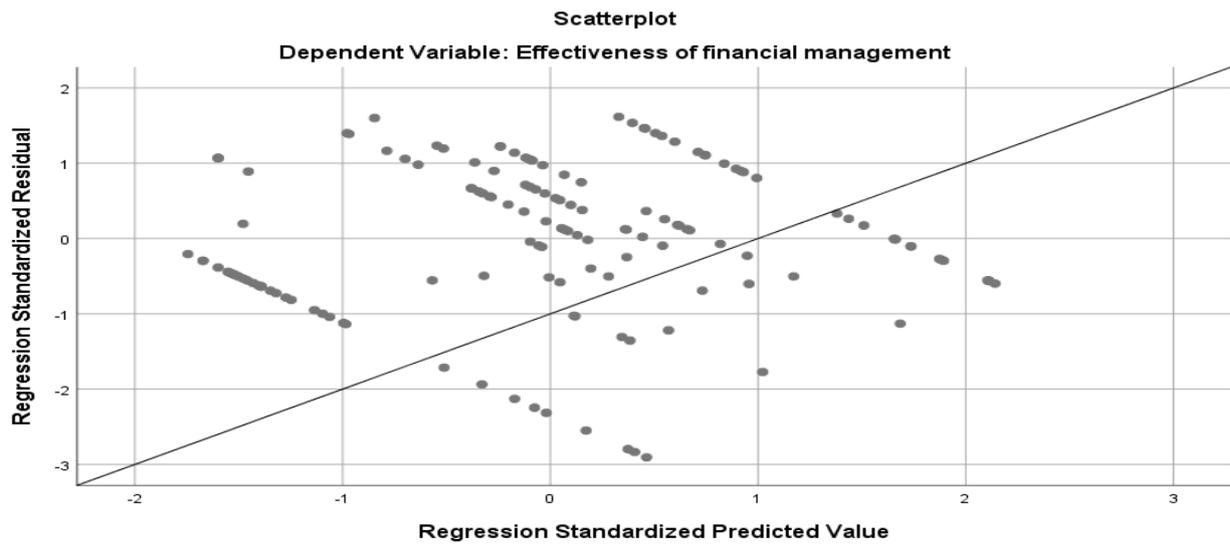
Variance Inflation Factor (VIF) which calculates the influence of factor should not exceed 1-10, and should ideally be close to one. As per the above table for all independent variables VIF value is less than 10, which implies there is no multi co linearity problem (Yonas, 2021).

**Scatter plot analysis test;**

Scatter plot graphs shows the actual values of data against the values predicted by the model. The scatter plot displays the actual values along the X axis, and displays the predicted values along the Y-axis. It also displays a line that illustrates the perfect prediction, where the predicted value exactly matches the actual value.

The Figure 4.7 shows the patterns in scatter plots of dependent against the independent variables weather they have linear relation and the assumption have met.

From the graph below, the straight line shows the expected linear relationship, and the points scattered around that line show how the actual data diverges from the expected. This analysis tells us at a glance how closely a set of results is correlated with a particular input, and how much variation there is from the ideal model.



**Figure 3.2 Linearity assumption**

**Autocorrelation:** means the relationship between each value of errors in the equation. Or in the other hand, autocorrelation means the self-relationship of errors. In order to determine autocorrelation Durbin-Watson test was applied.

In order to know the autocorrelation of independent and dependent variables it is possible to understand the following assumptions.

**Note:** Durbin-Watson test = 2 → No autocorrelation

Durbin-Watson test > 2 → Negative autocorrelation

Durbin-Watson test < 2 → positive autocorrelation

Therefore, the result of Durbin-Watson test was 1.619. This indicates there is positive autocorrelation among the independent and dependent variables because its value is less than 2.

### 3.11 Data Validity and Reliability

#### 3.11.1 Validity of Tool

Validity is the extent to which the instrument (questioner) measures what it purports to measure. The validity of a measure refers to the extent to which the research findings accurately represent what the measuring instrument claims to measure.

Validity, often called construct validity, refers to the extent to which a measure adequately represents the underlying construct that it is supposed to measure. For this research purpose validity test was checked regarding the questioner content, criteria and construct test by piloting to make more accurate and meaningful results.

### 3.11.2 Reliability

Reliability is concerned with the findings of the research and refers to the consistency of a measuring instrument (questionnaire). Reliability is internal consistency used to measure consistency between different items of the same construct. Cronbach's alpha is a reliability measure designed by Lee Cronbach in 1951. Cronbach's alpha is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability of a psychometric test score for a sample of examinees.

As noted that Masdia Masri (2009), the closer the reliability coefficient to 1.00 is the better. In general, reliabilities less than 0.60 are considered poor; those in the range of 0.60 to 0.80 are considered good and acceptable.

**Table 3.3: Alpha Coefficient for Each Section of Questionnaire**

S/n	Section	No. of Items	Alpha Value
1	Factors of Internal audit proficiency	4	0.862
2	Factors of quality of audit work	10	0.692
3	Factors of Organization independence	8	0.849
4	Factors of career development	3	0.673
5	Factors of management support	5	0.672
6	effectiveness of Financial management	4	0.794

*Source: Research Questionnaire (2022)*

As shown the reliability result indicated above, the internal consistency of the data was acceptable because the alpha coefficient was greater than 0.6.

### 3.12 Ethical Considerations

In the course of this study, all requirements of the selected organization and the research a procedure of the S. Marys University was properly adhered. All the scientific evidences and supporting documents were consulted and acknowledged. All the participants in this study were appropriately informed about the purpose of the research and their consents were secured before the commencement of the data gathering process.

The researchers also informed the subject that their response was only for the purpose of the study. In addition, the researcher assured the respondents that their identity and that of their organizations. Confidential issues were kept confidential.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND RESULTS

#### 4.1 Introduction

This chapter presents the analysis and interpretation of both quantitative and qualitative data collected from respondents. The data results obtained via questionnaire and interview were analysed, presented and interpreted by using frequency distributions, tables, percentage, mean, standard deviation and figures.

#### 4.2 Response Rate

Table 4.1 shows the response of respondent rate. In this case, a total of 151 employees were invited to be the part of this study but 145 completed questionnaires were included in the analysis with a response rate of 96%. However, the remaining six questionnaires weren't returned on time because the respondents lost their questionnaire while the researcher went to the office repeatedly. In the same way, 4(100%) of the respondents were used for interview and collect data from Ethiopian trading business corporation consumer products trade business unit (Alle Bejimila) heads, senior experts and auditors were interviewed. The key informants have been selected based on their experience, skill and the capacity to get adequate information from them.

**Table-4.1: Response rate of respondents (N=145)**

No	Questionnaire	Number	%
1	Dispatched/distributed	151	100
2	Return	145	96
3	For analysis	145	96
4	Interview	4	100%

**Source: field survey (2022)**

**Table 4.2 Mean score range for the five Liker scale responses**

No.	Mean range	response options
1	[1.00, 1.80)	Strongly Disagree
2	[1.81, 2.60)	Disagree
3	[2.61, 3.40)	Neutral
4	[3.41, 4.20)	Agree
5	[4.21, 5.00]	Strongly Agree

Source: Al-Sayaad et al. (2006)

### 4.3 Demographic Characteristics of the Respondents

The demographic characteristics of the respondents comprises sex, age of the respondents in years, level of educational of the respondents, experiences of the respondents and occupation of the respondents in the organization.

**Table 4.3 Demographic characteristics of the respondents**

No	Variables	Category	Frequency	%
1	Sex	Male	87	60
		Female	58	40
		Total	145	100
2	Age of the respondents in years	< 25 years	-	-
		26-30 years	18	12.4
		31-35 years	38	26.2
		36-40 years	45	31
		41 years and above	44	30.3
		Total	145	100
3	Education status	Diploma	1	0.7
		Degree	113	77.9
		Masters	31	21.4
		Total	145	100
4	Experience	<3 years	57	39.3
		3-5 years	-	-
		6-10 years	88	60.7
		11-15 years	-	-
		More than 15 years	-	-
		Total	145	100
5	Occupation	Internal senior auditor	16	11
		Cluster manager	2	1.4
		Accountant	86	59.3
		Financial department team leader	15	10.3
		General service officer	15	10.3
		Others	11	7.6
		Total	145	100

**Source: field survey (2022)**

With regard the sex of the respondents, 60% of them were male while 40% of the employees were female. As depicted in table 4.3 one can infer that majority of the employees working in the organization were male but the involvements of female employees were to some extent less than male employees who are working in the organization. Based on the finding obtained by Solomon et al (2019) stated that gender were significantly influence internal audit

effectiveness or insignificantly which was measured in terms of internal auditors' ability to identify the noncompliance activities and by adding contributions to the public organization.

In relation to the age of respondents, 12.41% of the respondents found the age between 26-30 years while 26.21% of the respondents found the age range between 31-35 years. In the same way, 31.03% and 30.34% of the respondents replied that their age ranges between 36-40 years and above 41 years respectively. As display in table 4.3, one can infer that majority of the respondents found between 36-40 years. This indicates that as the age increases there is a probability to carryout different tasks with a responsible manner. According to the result obtained by Solomon et al (2019) indicates that age wasn't effect on internal audit effectiveness. Beza (2017) proved on her study that young people who fall in the working age group are employed as internal auditors in the internal audit in the internal audit process. But from this study, one can deduce that most of the respondents fail an old age. This helps to conduct effective internal audit in a responsible manner.

With regard the educational statuses of the respondents, 0.7% have their educational background was diploma while 77.9% of the respondents have degree holder educational background. The remaining 21.04% of the respondents have master's degree holder. As shown in the table, one can infer that most of the respondents occupied by educational personnel. In other words, occupied by professionals have the advantage of attain organization successful about its objective and goal. Similarly, Solomon et al (2019) proved that there education hasn't effect on the effectiveness of internal audit in the public sector organization. Fikre (2019) stated that most of their respondent in the internal audit activities were degree holders.

The other demographic variable's in the study was experience of respondents in the organization. Based on the response of the respondents 39.31% of the respondents have less than 3 years' service in the organization while 60.69% of the respondents have 6-10 years' experience. As shown in the table one can deduce that most of the respondents have 6-10 years' experience in the organization. This implies as the service year increase then there is a probability to attain and perform different tasks in the organization. This study supported by Ezekie (2019).

This implies as experience increase so does the internal audit effectiveness rise. The last demographic varibale include in the study was occupation. In this context, 11% of the respondents were internal senior auditor. On the other hand, 1.4% and 59.3% of the respondents were cluster and accountant occupation in the organization while 10.3% and

7.6% of the respondents were financial team leader, general service officer and others respectively. Therefore, the finding of the study revealed that most of the respondents were accountant. This implies that accountants can perform different audit activities in the organization for the long run.

## **4.4 Descriptive Analysis**

### **4.4.1 Effectiveness of Financial Management**

Financial management is among key functional areas, which are used to evaluate the performance measure of the LGA. Financial management means the entire managerial efforts devoted to the management of finance, both its sources and uses of the enterprises (Maheshwari, 2008). On the other hand, “financial management is concern with the efficiency use of important economic resources” (work of Solomon as cited by Maheshwari). This means that, it is concerned with the managerial decisions that result in the acquiring and financing credits for the organisation.

Therefore, the responses of respondents are stated briefly as follows.

Table 4.4 specifies effectiveness of financial management in the organization. Concerning this, 56(38.6%) and 39(26.9%) of the respondents replied agreed and strongly agreed respectively about comment on financial transactions made in accordance to the budget in the organization. On the other hand, 17(11.7%) and 19(13.1%) of the respondents replied disagreed and strongly disagreed respectively about the issues while 14(9.7%) replied neutral about the issues in that order. Therefore, the mean score ( $M=3.5$ ,  $Sd=1.25$ ) of table 4.3 indicated that comment on financial transactions made in accordance to the budget. This implies that the organisation carried out different tasks based on the budget.

Item-2 of table 4.4 specifies the political influence /contributes to ineffective financial payments. In this case, 53(36.6%) and 56(38.6%) replied agreed and strongly agreed respectively about the issues. On the contrary, 16(11%) and 3(2.1%) of the respondents answered disagreed and strongly disagreed respectively about the issues while 17(11.7%) of the respondents answered neutral about the issues in that order. Therefore, the mean score ( $M=3.99$ ,  $Sd=1.07$ ) of the respondents replied that political influences contributes to ineffective financial payments. This means that political interferences affected the auditing system of the organizations.

In item-3 of table 4.4 of the respondents were asked to indicate their level of agreement or disagreement with the statement “Cash available meet and solve the arising financial matters as they happen.” In this statement, 55(37.9%) and 34(23.4%) of the respondents replied

agreed and strongly agreed respectively about the issues. On the other hand, 16(11%) and 26(17.9%) of the respondents replied disagreed and strongly disagreed respectively about the issues while 14(9.7%) of the respondents answered neutral about the issues in that order.

As shown in the table, the mean score ( $M=3.73$ ,  $Sd=1.38$ ) of the respondents indicated that cash available meet and solve the arising financial matters as they happen.

The last item of table 4.4 indicates whether comment on financial transactions compliance with applicable laws and regulations or not. Based on this, 29(20%) and 61(42.1%) of the respondents replied agreed and strongly agreed respectively about the issues. On the opposite of this, 16(11%) and 29(20%) replied disagreed and strongly disagreed respectively about the issues while 10(6.9%) of the respondents replied neutral about the issues in that order. In this regard, the mean score ( $M=3.5$ ,  $Sd=1.09$ ) of the respondents replied that financial transactions compliance with applicable laws and regulations in the organization.

**Table 4.4 Effectiveness of Financial Management**

No	Statement	Category	Frequency	%	Mean	Std dev
1	Financial transactions made in accordance to the budget	Strongly disagree	19	13.1	3.50	1.25
		Disagree	17	11.7		
		Neutral	14	9.7		
		Agree	56	38.6		
		Strongly agree	39	26.9		
		Total	145	100.0		
2	Political influence contribute to ineffective financial payments	Strongly disagree	3	2.1	3.99	1.07
		Disagree	16	11.0		
		Neutral	17	11.7		
		Agree	53	36.6		
		Strongly agree	56	38.6		
		Total	145	100.0		
3	Cash available meet and solve the arising financial matters as they happen	Strongly disagree	26	17.9	3.73	1.38
		Disagree	16	11.0		
		Neutral	14	9.7		
		Agree	55	37.9		
		Strongly agree	34	23.4		
		Total	145	100.0		
4	Financial transactions compliance with applicable laws and regulations	Strongly disagree	29	20.0	3.51	1.09
		Disagree	16	11.0		
		Neutral	10	6.9		
		Agree	29	20.0		
		Strongly agree	61	42.1		
		Total	145	100.0		

**Source: Field survey (2022)**

#### 4.4.2 Internal audit proficiency

Table 4.5 specifies internal audit proficiency in the organization. In this regard, respondents were asked to indicate their level of agreement or disagreement with the statement "IA unit possess the appropriate professional skills, qualification and experience".

Based on this statement, 56(38.6%) and 32(22.1%) of the respondents replied agreed and strongly agreed respectively about the issues. On the other hand, 17(11.7%) and 15(10.3%) of the respondents replied disagreed and strongly disagreed respectively about the issues while 25(17.2%) replied neutral about the issues in that order.

The above quantitative data supported by the data collected from qualitatively through interview as follows;

*One of the internal auditor worked in Alle Bejimla noted that employees have the necessary skill to deliver rapid service for the customers. The organization has provided short term training to enhance their skill gap. The training mainly provided for the experts by conducting a need assessment program. As a result of this, employees have taken internal audit report and work motivation to enhance their skills in particular and provide prompt internal audit activities (KIII, 2022).*

Therefore, the mean score ( $M=3.5$ ,  $Sd=1.25$ ) of the respondents indicates that internal auditor has their own skill, qualification and experience to ensure effective financial management in Alle Bejimla.

Item-2 of table 4.5 of the respondents was asked to indicate their level of agreement or disagreement about the statement "IA unit has the right mix and competencies in specialist areas such as IT and treasury". In this context, the mean score ( $M=2.51$ ,  $Sd=1.29$ ) of the respondents indicates that IA unit hasn't the right mix and competencies in specialist areas such as IT and treasury. This implies 68(46.9%) and 29(20%) replied disagreed and strongly disagreed respectively about the issues. However, 17(11.7%) and 19(13.1%) of the respondents answered agreed and strongly agreed respectively about the issues while 12(8.3%) replied neutral about the issues in that order.

Therefore, the finding of the study revealed that internal audit unit has lack of professional skills to perform effective financial management in the organization.

Item-3 of table 4.5 of the respondents asked to show their level of agreement or disagreement about whether internal auditor team has an appropriate programme of continuing education. In this regard, 43(29.7%) and 57(39.3%) of the respondents replied agreed and strongly agreed respectively about the issues.

On the opposite of this, 21(14.5%) and 15(10.3%) replied disagreed and strongly disagreed respectively about the issues while 9(6.2%) of the respondents answered neutral about the issues. therefore, the mean score ( $M=3.73, Sd=1.38$ ) showed that most of the respondents agreed about the statement. This means there is appropriate programme of continuing education in the organization.

The last item of table 4.5 showed whether members of the team participate in professional development training programmes or not. Based on this statement, 97(66.9%) and 10(6.9%) of the respondents replied agreed and strongly agreed respectively about the issues. On the other hand, 13(9%) and 15(10.3%) replied disagreed and strongly disagreed respectively about the issues while 10(6.9%) answered neutral about the issues. This indicates that the mean score ( $M=3.51, Sd=1.09$ ) of the respondents were agreed that member of the team participate in professional development program of continuing education in the organization. This implies that internal auditor in the organization were ready to learn from their gaps at large.

In addition to the above quantitative data, the result obtained from qualitative through interview was briefly discussed as follows.

*One of the senior auditors that worked in the organization expressed that internal auditor has provided in professional development training programmes for the auditors. In this regard, auditors have participated in internal auditor procedure which mainly used for reducing bias while conducting adequate auditor activities for the long run. In the same way, experts have been participated professional training offered by auditor general at the federal level. This helps to some extent reduce auditor bias conducted in the organization (KII2, 2022).*

**Table 4.5 internal audit proficiency**

No	Statement	Category	Frequency	%	Mean	Std deviation
1	IA unit possess the appropriate professional skills, qualification and experience	Strongly disagree	15	10.3	3.50	1.25
		Disagree	17	11.7		
		Neutral	25	17.2		
		Agree	56	38.6		
		Strongly agree	32	22.1		
		Total	145	100.0		
2	IA unit has the right mix and competencies in specialist areas such as IT and treasury	Strongly disagree	29	20.0	2.51	1.2
		Disagree	68	46.9		
		Neutral	12	8.3		
		Agree	17	11.7		
		Strongly agree	19	13.1		
		Total	145	100.0		
3	IA team has an appropriate programme of continuing education	Strongly disagree	15	10.3	3.73	1.38
		Disagree	21	14.5		
		Neutral	9	6.2		
		Agree	43	29.7		
		Strongly agree	57	39.3		
		Total	145	100.0		
4	Members of the team participate in professional development training programmes	Strongly disagree	15	10.3	3.51	1.09
		Disagree	13	9.0		
		Neutral	10	6.9		
		Agree	97	66.9		
		Strongly agree	10	6.9		
		Total	145	100.0		

Source: Field survey (2022)

#### 4.4.3 Quality of audit work

Table 4.6 shows the level of agreement or disagreement about quality of audit work. In this regard, 72(49.7%) and 35(24.1%) of the respondents replied agreed and strongly agreed respectively about the issues. On the contrary, 30(20.7%) replied disagreed and 8(5.5%)

replied neutral about the issues in that order. Therefore, the finding of the study indicated that most of the respondents agreed that IA unit adhere to the Institute of Internal Auditors (IIA) code of ethics. This statement supported with the average mean score ( $M= 3.77, Sd=1.04$ ). This indicates that internal auditors have clearly followed code of ethics to ensure accountability in the organization.

Furthermore, the finding obtained from the questionnaire also assisted the data collected through interview as follows;

*One of the head of Alle Bejimila indicated that the organization has its own code of ethics to lead the experts for a consistent manner. Each employees working in the organization adhered rules and regulations to provide quality service at large. In addition to this, the key informant added that code of ethics formulated by the organization helps experts to accomplish their tasks for a responsible manner (KII3, 2022).*

Item -2 of table 4.6 of the respondents were asked to indicate their level of agreement or disagreement with the statement "IAs are conducted in conformance with the international standard for professional practice of internal auditing". Based on this statement, 86(59.3%) and 29(20%) of the respondents replied agreed and strongly agreed respectively about the issues. On the contrary, 23(15.9%) and 7(4.8%) replied disagreed and neutral about the issues in that order. Therefore, the finding of the study revealed that most of the respondents replied agreed about the issues with the average mean score ( $M=3.83, Sd=0.93$ ). This showed that internal auditor can be performed in the organization by taken into consideration about the international standards for professional practice of internal auditing.

Item-3 of table 4.6 of the respondents asked to show their level of agreement or disagreement with the statement "IA unit has a quality assurance and improvement programme". Based on this issues, 98(67.6%) of the respondents replied agreed about the issues. On the other hand, 3(2.1%) and 15(10.3%) of the respondents replied disagreed and strongly disagreed respectively about the issues while 29(20%) said neutral about the issues.

Therefore, the mean score ( $M=3.45, Sd=0.96$ ) of the respondents agreed that internal auditor unit has a quality assurance and improvement program in the organization. This implies that internal auditor enhances the quality if assurance and improvement program in the organisation at large.

Table 4.6 item-4 of the respondents asked to show their level of agreement or disagreement with the statement "IA unit organises or performs peer reviews or self -assessment of its performance". Based on this issues, 74(51%) and 30(20.7%) replied agreed and strongly

agreed respectively about the issues. On the other hand, 1(0.7%) and 15(10.3%) replied disagreed and strongly disagreed respectively about the issues while 25(17.2%) replied neutral about the issues in that order. Therefore, the mean score ( $M=3.71, Sd=1.12$ ) of the respondents replied agreed that internal auditor unit organises or performs peer reviews or self -assessment of its performance. This implies that internal auditor unit can evaluate themselves for strengthening the effectiveness of financial management in the organization.

Item-5 of table 4.6 indicates about the level of agreement or disagreement whether IA unit do regular follow-up to examine actions taken to correct problems identified or not. Based on this statements, 34(23.4%) of the respondents replied agreed about the issues. On the other hand, 26(17.9%) and 55(37.9%) replied disagreed and strongly disagreed respectively about the issues while 30(20.7%) replied neutral about the issues. Therefore, the mean score ( $M=2.29, Sd=1.20$ ) indicates that internal auditor unit didn't regularly follow-up to examine actions taken to correct problems in the organization. This implies that regular follow up on the actions of correcting problems in the organisation hinder effective financial management.

Item-6 of the respondents asked to show their level of agreement or disagreement with the statement "IA plan is aligned to the key risks of the assembly and other quality assurance activities". Based on this statement, 27(18.6%) replied agreed, 49(33.8%) and 47(32.4%) replied disagreed and strongly disagreed respectively while 22(15.2%) replied neutral about the issues in that order. Therefore, the mean score ( $M=2.2, Sd=1.09$ ) indicated that internal auditor plan hasn't aligned to the key risks of the assembly and other quality assurance activities. This implies that there is a problem of auditor plan in the key risks of the assembly and quality assurance activities in the organization.

Item-7 of table 4.6 indicates about the level of agreement or disagreement with the statement "The evaluation of IA report by external auditors and other external authorities is positive". In this regard, 62(42.8%) and 34(23.4%) of the respondents replied agreed and strongly agreed respectively about the issues. On the other hand, 6(4.1%) and 7(4.8%) of the respondents replied disagreed and strongly disagreed respectively about the issues while 36(24.8%) of the respondents answered neutral about the issues.

Based on this, the average mean score ( $M=3.76, Sd=1.02$ ) of the respondents accepted agreed about the issues. This indicates that external auditor and internal auditor's authority can created a good relationship about auditing activities.

Item-8 of the respondents asked to indicate their level of agreement or disagreement with the statement "IA reports are clear and accurate". In this regard, 32(22.1%) of the respondents replied agreed about the issues. On the other hand, 77(53.1%) and 15(10.3%) of the

respondents replied disagreed and strongly disagreed respectively about the issues while 21(14.5%) said neutral about the issues in that order. Therefore, the average mean score ( $M=2.48$ ,  $Sd =0.95$ ) indicated that internal audit reports aren't clear and accurate in the organization. This indicates that reports weren't prepared for the concerned bodies in a transparent manner.

In table 4.6 of item-9 of the respondents asked to show their level of agreement or disagreement about the statement "The work of IA is timely and proactive in the conduct and reporting of issues to management". Based on this statement, 21(14.5%) and 16(11%) of the respondents replied agreed and strongly agreed respectively about the issues. On the contrary, 29(20%) and 56(38.6%) replied disagreed and strongly disagreed respectively about the issues while 23(15.9%) said neutral about the issues indicated in table 4.6 item-9. Based on this level of agreement, the mean score ( $M=2.39$ ,  $Sd=1.41$ ) of the respondents agreed that the work of IA wasn't timely and proactive in the conduct and reporting of issues to management. This shows that internal auditor's have-not conducted on a specific point of time about reports for the concerned bodies.

The last issue of table 4.6 showed the respondents of respondents with regard to whether Management decision making process is strongly affected by reports, findings and recommendations of IA unit or not. Based on this, 43(29.7%), 55(37.9%), 1(0.7%), 15(10.3%) and 31(21.4%) of the respondents replied agreed, strongly agreed, neutral, disagreed and strongly disagreed respectively. Therefore, the average mean score ( $M=3.84$ ,  $Sd=1.24$ ) of the respondents indicated that management decision making process was strongly affected reports, findings and recommendations of internal audit.

**Table 4.6 Quality of audit work**

No	Statement	Category	Frequency	%	Mean	Std deviation
1	IA unit adhere to the Institute of Internal Auditors (IIA) code of ethics	Disagree	30	20.7	3.77	1.04
		Neutral	8	5.5		
		Agree	72	49.7		
		Strongly agree	35	24.1		
		Total	145	100.0		
2	IAs are conducted in conformance with the international standard for professional practice of internal auditing	Disagree	23	15.9	3.83	.93
		Neutral	7	4.8		
		Agree	86	59.3		
		Strongly agree	29	20.0		
		Total	145	100.0		
3	IA unit has a quality assurance and improvement programme	Strongly disagree	15	10.3	3.45	.96
		Disagree	3	2.1		
		Neutral	29	20.0		
		Agree	98	67.6		
		Total	145	100.0		
4	IA unit organises or performs peer reviews or self -assessment of its performance	Strongly disagree	15	10.3	3.71	1.12
		Disagree	1	.7		
		Neutral	25	17.2		
		Agree	74	51.0		
		Strongly agree	30	20.7		
		Total	145	100.0		
5	IA unit do regular follow-up to examine actions taken to correct problems identified	Strongly disagree	55	37.9	2.29	1.20
		Disagree	26	17.9		
		Neutral	30	20.7		
		Agree	34	23.4		
		Total	145	100.0		
6	IA plan is aligned to the key risks of the assembly and other quality assurance	Strongly disagree	47	32.4	2.2000	1.09
		Disagree	49	33.8		
		Neutral	22	15.2		
		Agree	27	18.6		

	activities	Total	145	100.0		
7	The evaluation of IA report by external auditors and other external authorities is positive	Strongly disagree	7	4.8	3.76	1.02
		Disagree	6	4.1		
		Neutral	36	24.8		
		Agree	62	42.8		
		Strongly agree	34	23.4		
		Total	145	100.0		
8	IA reports are clear and accurate	Strongly disagree	15	10.3	2.48	.95
		Disagree	77	53.1		
		Neutral	21	14.5		
		Agree	32	22.1		
		Total	145	100.0		
9	The work of IA is timely and proactive in the conduct and reporting of issues to management	Strongly disagree	56	38.6	2.39	1.41
		Disagree	29	20.0		
		Neutral	23	15.9		
		Agree	21	14.5		
		Strongly agree	16	11.0		
		Total	145	100.0		
10	Management decision making process is strongly affected by reports, findings and recommendations of IA unit	Strongly disagree	15	10.3	3.84	1.24
		Disagree	1	.7		
		Neutral	31	21.4		
		Agree	43	29.7		
		Strongly agree	55	37.9		
		Total	145	100.0		

**Source: Field survey (2022)**

#### **4.4.4 Organizational Independence**

Table 4.7 specifies the organization independence in the organization. Concerning this, 70(48.3%) and 29(20%) of the respondents replied agreed and strongly agreed respectively that IA unit is an autonomous and independent body. On the contrary, 1(0.7%) and 15(10.3%) of the respondents replied disagreed and strongly disagreed respectively about the issues while 30(20.7%) said neutral about the issues in that order. Therefore, the average mean score ( $M=3.67$ ,  $Sd=1.12$ ) of the respondents replied agreed that international auditor

was an autonomous and independent bodies. This implies those auditors are free from any interference which can carry out various tasks for the long run.

Moreover, the data collected from questionnaire also assisted by data collected through interview as follows;

*The head of Alle Bejimila in Ethiopian trading business corporations noted that internal auditors have worked their tasks without any interference. This means internal auditors can freely accomplished their tasks given by the organization. However, the organization can interfered with in the internal auditors when experts made some bias while performed their activities (KII4, 2022).*

Item -2 of table 4.7 show the level of agreement or disagreement whether internal auditor unit has the authority to audit all parts of the organization or not. Based on this, 71(49%) and 26(17.9%) of the respondents replied agreed and strongly agreed respectively about the issues. On the contrary, 17(11.7%) and 15(10.3%) of the respondents answered disagreed and strongly disagreed respectively about the issues while 16(11%) said neutral about the issues in that order. Based on the above issues, the mean score ( $M=3.52$ ,  $Sd=1.21$ ) of the respondents replied agreed about the issues. This indicates that internal auditor unit has the authority to audit all parts of the organizations. In other words, internal auditor has simply conducted all audit activities existed in the organization.

Item-3 of the respondents asked to show their level of agreement or disagreement about the statement "Detailed budget proposals are included in the annual work plan of the IA unit". In this regard, 31(21.4%) of the respondents answered agreed about the issues. On the opposite of this, 31(21.4%) replied disagreed, 63(43.4%) said strongly disagreed and 20(13.8%) replied neutral about the issues. The average mean score ( $M=2.13$ ,  $Sd= 1.19$ ) of the respondents accepted disagreed that detail budget proposal haven't incorporated in the annual work plan of the internal auditor unit.

Item-4 of table 4.7 indicates the level of agreement or disagreement of the respondents about the statement "IA performs other activities even if they are not defined as its direct responsibility". In this regard, 30(20.7%) of the respondents replied agreed, 61(42.1%) and 42(29%) said disagreed and strongly disagreed respectively about the issues while 12(8.3%) answered neutral about the issues in that order. As shown in table 4.6, the mean score ( $M=2.21$ ,  $Sd=1.08$ ) of the respondents said disagreed that internal auditor hasn't performed other tasks in the organization.

Furthermore, item-5 of table 4.7 of the respondents asked to indicate their level of agreement with the statement "IA operates totally independently, can audit any issue it considers necessary of auditing". Based on this statement, 26(17.9%) of the respondents replied agreed, 85(58.6%) said disagreed, 15(10.3%) replied strongly disagreed and 19(13.1%) answered neutral about the issues. Therefore, the mean score ((M=2.39, Sd=0.899) of the respondents disagreed about the issues. This indicates that internal auditor hasn't definitely carried out different auditing activities freely.

Item-6 of table 4.7 of the respondents asked to show their level of agreement or disagreement about the statement "IA staff has free access to information and data about the organization". In this regard, 75(51.7%) replied agreed, 17(11.7%) answered strongly agreed that IA staff has free access to information and data about the organization. On the contrary, 18(12.4%) and 15(10.3%) said disagreed and strongly disagreed respectively about the issues while 20(13.8%) said neutral about the issues in that order. As can be seen in table 4.6, the finding of the study revealed that IA staff has free access to information and data about the organization. Therefore, the average mean score (M=3.42, Sd=1.16) of the respondents replied agreed that internal auditor staff has gotten free access to information and data about the organization.

Item-7 of table 4.7 show the level of agreement or disagreement of the respondents whether IA unit takes part in designing systems in the organization and in developing procedures for regulating their operations or not. Based on this, 45(31%) and 53(36.6%) replied agreed and strongly agreed respectively about the issues. On the contrary, 1(0.7%) and 15(10.3%) replied disagreed and strongly disagreed respectively about the issues while 31(21.4%) said neutral about the issues in that order. Therefore, the finding of the study revealed that the mean score (M=3.83,Sd=1.23) of the respondents replied that internal auditor unit takes pars in designing systems in the organization and in developing procedures for regulation their operations.

The last item of table 4.7 of the respondents asked to show the level of agreement or disagreement of the respondents about the statement "IA participates in major decisions affecting the IA unit". Based on this statement, 43(29.7%) and 65(44.8%) of the respondents said agreed and strongly agreed respectively about the issues. On the contrary, 16(11%) and 21(14.5%) of the respondents said strongly agreed and neutral about the issues. Therefore, the mean score (M=3.97,Sd=1.26) of the respondents answered agreed that internal auditor in the decision pass was affected in the internal auditor unit.

**Table 4.7 Organizational independence**

No	Statement	Category	Frequency	%	Mean	Std deviation
1	IA unit is an autonomous and independent body	Strongly disagree	15	10.3	3.67	1.12
		Disagree	1	.7		
		Neutral	30	20.7		
		Agree	70	48.3		
		Strongly agree	29	20.0		
		Total	145	100.0		
2	IA unit has the authority to audit all parts of the organization	Strongly disagree	15	10.3	3.52	1.21
		Disagree	17	11.7		
		Neutral	16	11.0		
		Agree	71	49.0		
		Strongly agree	26	17.9		
		Total	145	100.0		
3	Detailed budget proposals are included in the annual work plan of the IA unit	Strongly disagree	63	43.4	2.13	1.19
		Disagree	31	21.4		
		Neutral	20	13.8		
		Agree	31	21.4		
		Total	145	100.0		
4	IA performs other activities even if they are not defined as its direct responsibility	Strongly disagree	42	29.0	2.21	1.08
		Disagree	61	42.1		
		Neutral	12	8.3		
		Agree	30	20.7		
		Total	145	100.0		
5	IA operates totally independently, can audit any issue it considers necessary of auditing	Strongly disagree	15	10.3	2.39	.89
		Disagree	85	58.6		
		Neutral	19	13.1		
		Agree	26	17.9		
		Total	145	100.0		
6	IA staff has free access to information and data about the organization	Strongly disagree	15	10.3	3.42	1.16
		Disagree	18	12.4		
		Neutral	20	13.8		
		Agree	75	51.7		
		Strongly agree	17	11.7		
		Total	145	100.0		
7	IA unit takes part in designing systems in the organization and in developing procedures for regulating their operations	Strongly disagree	15	10.3	3.83	1.23
		Disagree	1	.7		
		Neutral	31	21.4		
		Agree	45	31.0		
		Strongly agree	53	36.6		
		Total	145	100.0		
8	IA participates in major decisions affecting the IA unit	Strongly disagree	16	11.0	3.97	1.26
		Neutral	21	14.5		
		Agree	43	29.7		
		Strongly agree	65	44.8		
		Total	145	100.0		

Source: field survey (2022)

#### **4.4.5 Career Development**

Table 4.8 indicates the level of agreement or disagreement of the respondents about career advancement. In this regard, 58(40%) and 30(20.7%) of the respondents said agreed and strongly agreed respectively about the issues. On the other hand, 19(13.1%) and 15(10.3%) said disagreed and strongly disagreed respectively about the issues while 23(15.9%) replied neutral about the issues. Therefore, the mean score ( $M=3.48$ ,  $sd= 1.25$ ) of the respondents replied agreed that internal audit staffs have the opportunity to participate in professional development training to enhance audit skills. This shows that the organization has facilitated training development for enhancing capacity building program for the staffs.

In addition to this, item-2 of table 4.8 of the respondents asked to show their level of agreement or disagreement about the statement "Internal audit unit is highly regarded and respected within the organization". Based on this, 88(60.7%) and 29(20%) of the respondents said agreed and strongly agreed respectively about the issues. On the contrary, 3(2.1%) and 15(10.3%) of the respondents replied disagreed and strongly disagreed respectively about the issues while 10(6.9%) replied neutral about the issues. As can be seen in table 4.8, the mean score ( $M=3.78$ ,  $Sd=1.11$ ) of the respondents accepted agree that internal audit units has highly regards and respected within the organization. This implies internal audit units can able to perform their duties based on respected the organization.

The last item table 4.8 indicates the level of agreement or disagreement with the statement "Promotion for internal audit staff are not prolonged and interfered". Based on this statement, 33(22.8%) of the respondents said agreed. On the other hand, 48(33.1%) and 40(27.6%) of the respondents said disagreed and strongly disagreed respectively about the issues while 24(16.6%) said neutral about the issues. Therefore, the average mean score ( $M=2.34$ ,  $Sd=1.11$ ) of the respondents disagreed that promotion for internal audit staff were prolonged and interfered". This implies that the organization promoted internal audit staff have prolonged and interfered.

**Table 4.8 Career Development**

No	Statement	Category	Frequency	%	Mean	Std deviation
1	Internal audit staffs have the opportunity to participate in professional development training to enhance audit skills	Strongly disagree	15	10.3	3.48	1.25
		Disagree	19	13.1		
		Neutral	23	15.9		
		Agree	58	40.0		
		Strongly agree	30	20.7		
		Total	145	100.0		
2	Internal audit unit is highly regarded and respected within the organization	Strongly disagree	15	10.3	3.78	1.11
		Disagree	3	2.1		
		Neutral	10	6.9		
		Agree	88	60.7		
		Strongly agree	29	20.0		
		Total	145	100.0		
3	Promotion for internal audit staff are not prolonged and interfered	Strongly disagree	40	27.6	2.34	1.11
		Disagree	48	33.1		
		Neutral	24	16.6		
		Agree	33	22.8		
		Total	145	100.0		

**Source: Field survey (2022)**

#### 4.4.6 Management Support

Table 4.9 shows the level of agreement or disagreement about top management among the internal auditor. Based on this, 44(30.3%) and 57(39.3%) of the respondents replied agreed and strongly agreed that top management doesn't provide IA unit with the encouragement expected. On the opposite of this, 1(0.7%) and 4(2.8%) of the respondents answered disagreed and strongly disagreed about the issues while 39(26.9%) replied neutral about the issues in that order. Therefore, the average mean score ( $M=4.03$ ,  $Sd=0.97$ ) of the respondents agreed that top management haven't provided internal audit unit with the encouragement expected. This implies that top managements haven't made their own effort through supporting internal auditors to done tasks given by the organization.

Item- 2-item of table 4.9 shows the level of agreement or disagreement of the respondents whether top management usually assign a small budget to the IA unit or not. Concerning this, 58(40%) and 61(42.1%) of the respondents answered agreed and strongly agreed respectively about the issues while 26(17.9%) of the respondents replied neutral about the issues in that order. Therefore, the finding of the study revealed that most of the respondents agreed about the issues with the average mean score ( $M=4.24$ ,  $Sd=0.74$ ). This implies that top management allocated small budget to accomplish different tasks of auditors.

In table 4.9 item-3 of the respondents asked to show their level of agreement or disagreement about the statement "management support doesn't provide assistance for training and development for IA audit staff". Based on this issues, 59(40.7%) and 60(41.4%) of the respondents replied agreed and strongly agreed respectively about the issues. On the contrary, 3(2.1%) and 23(15.9%) of the respondents replied neutral and strongly disagreed respectively. As shown the level of agreement of the respondents, the average mean score ( $M=4.19$ ,  $Sd=0.85$ ) of the respondents replied agreed that management Support did not support internal audit staff members through facilitating and providing capacity training program.

Item-4 of table 4.9 of the respondents asked to indicate their level of agreement or disagreement about the statement "IA units gets the attention of management support and focuses on issues audited by IA units." In this regard, 57(39.3%) and 34(23.4%) of the respondents replied agreed and strongly agreed respectively about the issues. On the contrary, 1(0.7%) and 53(36.6%) of the respondents replied disagreed and neutral about issues respectively. As can be seen in table 4.9 item-4, the average mean score ( $M=3.86$ ,  $Sd=0.782$ ) of the respondents replied agreed that internal auditor units has got the attention of management support to perform their tasks by a responsible manner.

The last item- of table 4.9 of the respondents asked to show their level of agreement or disagreement about the statement "The number of employees in the IA unit is limited given the amount of auditing work planned and needed to be done in the near future". In this regard, 74(51%) and 11(7.6%) of the respondents said agreed and strongly agreed respectively about the issues. On the other hand, 26(17.9%) and 5(3.4%) of the respondents answered strongly disagreed about the issues while 29(20%) of the respondents replied neutral about the issues. Therefore, the average mean score (M=3.41,Sd=0.98) of the respondents replied agreed about the issues in that number of employees to conduct internal auditing activities in the organization. This shows that the organization hasn't conducted internal audit tasks based the intended plan and time.

**Table 4.9 management support**

No	Statement	Category	Frequency	%	Mean	Std dev
1	Management support doesn't provide IA unit with the encouragement expected	Strongly disagree	4	2.8	4.03	.97
		Disagree	1	.7		
		Neutral	39	26.9		
		Agree	44	30.3		
		Strongly agree	57	39.3		
		Total	145	100.0		
2	Management support usually assign a small budget to the IA unit	Neutral	26	17.9	4.24	.74
		Agree	58	40.0		
		Strongly agree	61	42.1		
		Total	145	100.0		
3	Management support doesn't provide assistance for training and development for IA audit staff	Strongly disagree	3	2.1	4.19	0.85
		Neutral	23	15.9		
		Agree	59	40.7		
		Strongly agree	60	41.4		
		Total	145	100.0		
4	IA units gets the attention of top management and focuses on issues audited by IA units	Disagree	1	.7	3.86	.78
		Neutral	53	36.6		
		Agree	57	39.3		
		Strongly agree	34	23.4		
		Total	145	100.0		
5	The number of employees in the IA unit is limited given the amount of auditing work planned and needed to be done in the near future	Strongly disagree	5	3.4	3.41	.98
		Disagree	26	17.9		
		Neutral	29	20.0		
		Agree	74	51.0		
		Strongly agree	11	7.6		
		Total	145	100.0		

**Source: Field survey (2022)**

## 4.5 Inferential Statistics Data Analysis

### 4.5.1 Correlation Analysis

Correlation coefficient statistics measure the degree to which two sets of numbers are related. In this section, the researcher tried to accomplish the goal of the study through applying Pearson's correlation ( $r$ ) as it is the most widely used method of measuring the degree of relationship between two variables. The relationship between two variables will be: a correlation of .10 is described as a small effect size, a correlation of .30 is described as a medium effect size and a correlation .50 is described as a large effect size. The correlation coefficient ( $r$ ) ranging from 0.10 to 0.29 may regarded as indicating a low degree of correlation,  $r$  ranging from 0.30 to 0.49 may considered as a moderate degree of correlation, and  $r$  ranging from 0.50 to 1.00 may be regarded as a high degree of correlation (Cohen, 1988).

In this case, the results of Pearson correlation are indicated in table 4.10. The correlation between the explanatory and dependent variables were explained. The explanatory variables include internal audit proficiency, quality of audit work, organizational independence, career development and management support while the dependent variables was effectiveness financial management.

Based on the correlation result, one can realized that internal audit proficiency has positively correlated with effectiveness financial management ( $r=0.689^{**}$ ). Based on this, the  $p$ -value of internal audit proficiency was 0.000 which is less than the significance level of 0.05/0.01. This implies that enhancement of internal audit proficiency created an opportunity of attain the expected financial management at 0.05/0.01 level of significance vice versa.

The second independent variable of effectiveness of financial management was quality of audit work. Based the coefficient of correlation result, the study identified that quality of audit work has a positive correlated with effectiveness of financial management ( $r=0.448^{**}$ ) at the significance level of 0.01. This indicated that if the organization properly performed quality audit work then there is a probability of increasing effectiveness of fanatical management. In other words, if quality of audit work was too poor it is difficult to attain effectiveness of financial management in the organization.

Organizational independence is the other independent variable of effectiveness of financial management in the organization. Based on this, the result of coefficient correlation indicated that organizational independence has positively correlated ( $r=0.385^{**}$ ) with effectiveness of financial management at the significant level of 0.05/0.01. This implies if the organization

able to perform different auditing activities without the interference of anybody then effectiveness of financial management can be achieved vice versa.

The four independent variable of effectiveness of financial management was career advancement. Based on this context, the result of the coefficient relation showed that career advancement has a positive correlated ( $r=0.344^{**}$ ) with effectiveness of financial management. This implies if the employee developed their profession then they can effectively manage financial matters for the long run vice versa.

The last variable of determining financial management was management support. In this regard, the coefficient result depicted that management support has positively correlated ( $r=0.339^{**}$ ) with effectiveness of financial management at the significance level of 0.05/0.01. This indicates that if top management support auditors positively then they may be accomplishing effective financial management in the organization.

**Table 4.10 Pearson Correlation**

		Effectiveness of financial management	Internal audit proficiency	Quality of audit work	Organizational independence	Career development	Management support
Effectiveness of financial management	Pearson Correlation	1	.689 <sup>**</sup>	.448 <sup>**</sup>	.385 <sup>**</sup>	.344 <sup>**</sup>	.339 <sup>**</sup>
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	145	145	145	145	145	145
Internal audit proficiency	Pearson Correlation	.689 <sup>**</sup>	1	.605 <sup>**</sup>	.703 <sup>**</sup>	.593 <sup>**</sup>	.065
	Sig. (2-tailed)	.000		.000	.000	.000	.435
	N	145	145	145	145	145	145
Quality of audit work	Pearson Correlation	.448 <sup>**</sup>	.605 <sup>**</sup>	1	.824 <sup>**</sup>	.811 <sup>**</sup>	.130
	Sig. (2-tailed)	.000	.000		.000	.000	.119
	N	145	145	145	145	145	145
Organizational independence	Pearson Correlation	.385 <sup>**</sup>	.703 <sup>**</sup>	.824 <sup>**</sup>	1	.788 <sup>**</sup>	.055
	Sig. (2-tailed)	.000	.000	.000		.000	.512
	N	145	145	145	145	145	145

Career development	Pearson Correlation	.344**	.593**	.811**	.788**	1	.030
	Sig. (2-tailed)	.000	.000	.000	.000		.721
	N	145	145	145	145	145	145
Management support	Pearson Correlation	.339**	.065	.130	.055	.030	1
	Sig. (2-tailed)	.000	.435	.119	.512	.721	
	N	145	145	145	145	145	145
**. Correlation is significant at the 0.01 level (2-tailed).							

**Source: Field survey (2022)**

#### 4.5.2 Regression Analysis

Multiple linear regressions were applied to show the relationship between independent and dependent variables. Therefore, the result of the test was discussed briefly as follows.

**Table 4.11 Model Summary**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.779 <sup>a</sup>	.607	.593	.68850	1.619
a. Predictors: (Constant), Management support, Career development, Internal audit proficiency, Quality of audit work, Organizational independence					
b. Dependent Variable: Effectiveness of financial management					

Table 4.11 shows the independent variables have accounts for 60.7% (Adjusted R<sup>2</sup> is 59.3 with estimated standard deviation 0.68850) of the variance in the dependent variable (Effectiveness of financial management). This indicates that 60.7% of the variance in the dependent variable is explained by the independent variable in the model. The model also indicates that the remaining 39.3 % of the variance can be explained by other variables out of this model and indicates that further research is needed to identify the additional factors that influence the level of employee's performance.

**Table 4.12 ANOVA**

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	101.969	5	20.394	43.022	.000 <sup>b</sup>
	Residual	65.890	139	.474		
	Total	167.859	144			
a. Dependent Variable: Effectiveness of financial management						
b. Predictors: (Constant), Management support, Career development, Internal audit proficiency, Quality of audit work, Organizational independence						

From table 4.12 F-ratio, which explains whether the results of regression model could have occurred by chance, the F value, is 43.022 at 0.000 significant levels which show that the model is good as its value is less than 0.05.

**Table 4.13 Coefficients of determination**

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.047	.486		-2.154	.033
	Internal audit proficiency	.820	.077	.804	10.708	.000
	Quality of audit work	.612	.204	.322	2.996	.003
	Organizational independence	-.508	.149	-.378	-3.423	.001
	Career development	-.125	.118	-.105	-1.066	.288
	Management support	.506	.102	.268	4.954	.000
a. Dependent Variable: Effectiveness of financial management						

Table 4.13 specifies the regression coefficient of independent variable and dependent variables. Concerning this, the sig-value of internal audit proficiency is 0.000 which is less than the significance level of 0.01/0.05. In addition to this, the B-value is 0.820. This implies

that if internal audit proficiency increases by one unit then effectiveness of financial management increase by 0.820. Based on the p- value of table 4.13, therefore, the study realizes that internal audit proficiency has a significant effect on effectiveness of financial management at the significance level of 0.05/0.01.

In addition to this, quality of audit work also determine as one factor of effectiveness of financial management in the organization. Concerning this, the p- values is 0.003 which is less than the significant level of 0.05/0.01. At the same time, the study noticed that the B-value of quality of audit work was 0.612. As can be seen the coefficient of determination, the study revealed quality of audit work increase by 0.612 then effectiveness of financial management increase by this unit. Therefore, the study inferred that quality of quality of audit work has a significant effect on effectiveness of financial management at the significance level of 0.05/0.01. This implies that if quality audit work can properly implemented in the organization then effective financial management bring change for the long run vice versa.

In the context of organizational independence, the p-value is 0.001 which is less than the significant level of 0.05/0.01. Based on this, organizational independence has negative effect on effectiveness of financial management at the significant level of 0.05/0.01. This implies if organizational independence decreased by one unit then there is a probability of enhance effectiveness of financial management in the organization vice versa.

The last independent variable of effectiveness of financial management is top management. Based on this, the p-value of top management is 0.000 which is less than the significant level of 0.05/0.01. In this context, Management support has a significant effect on effectiveness of financial management at the significant level. In other words, if management support increased by 0.506 then effectiveness of financial management increased by this unit.

As shown the B-value of the coefficient, internal audit proficiency has the highest Beta value (0.802) than other independent variable. For this case, the study inferred that internal audit proficiency was the main effect on the effectiveness of financial management.

## **4.6 Discussion of Major Findings**

The main finding of the study focused on the effect of internal audit proficiency on the effectiveness of financial management, the effect of quality of audit work, organizational independence, career development and Management support on the effectiveness of financial management.

The 1<sup>st</sup> hypothesis focused about the internal audit proficiency has a significant effect on the effectiveness of financial management. This study confirmed by Kanbiro (2019). The finding which states the internal auditor's technical competence has impacts on the performance of the organization and the audit staff needs to have competence in risk profiling in order to effectively run their activity by applying professional expertise that they have equipped. Wubishet & Dereje (2018) and Kirima, (2016) and Tesema (2018) also states competency of internal audit staff has positive and significant relationship with performance.

In addition to this, Liston-Heyes & Juillet (2019) indicated that the institute of internal auditors (IIA) is the governing body of the profession, but not all individuals practicing as internal auditors are registered with the IIA. It could be argued that most internal auditors who qualify for membership would want to register as this brings many advantages, such as joining a worldwide network of professionals, increased knowledge and professional guidance amongst others. The criteria for membership differ from country to country, but in short, the minimum requirement for membership of the IIA is a bachelor's degree or equivalent from a recognized institution of higher education, combined with suitable work experience.

Secondly, the only officially recognized internal audit certification is the certified internal auditor (CIA) designation, owned and managed by the IIA, and this remains the only official standard by which individuals unmistakably demonstrate their competency and professionalism in the internal audit field (Jahan et al, 2019).

A fair statement would be to conclude that the CIA designation is a reflection of the perceived competence of internal auditors. This again reflects on the quality of activities performed by internal auditors, directly influencing the standing of the internal audit activity (Liston-Heyes & Juillet, 2019).

The 2<sup>nd</sup> hypothesis result showed that internal audit quality has a positive significant effect on the effectiveness of financial management. Adeyemi (2010), agree that internal audit quality is the joint probability, as assessed by the market, that a given auditor will simultaneously discover a deficiency in the client's accounting system and report that deficiency, meaning that the auditor has both the technical competence to detect any material errors during the audit process and the independence to ensure that material errors and omissions are corrected or disclosed in the auditor's report. However, it would appear that the quality of internal auditing is enhanced when internal auditors are competent and independent. Internal audit quality refers to how internal auditors carry out their activities and tasks to evaluate operations according to procedures or a standard (Turetken et al, 2019). The quality of audit performance also refers to the planning, supervision, fieldwork, recording, reporting, findings, recommendations, and follow-up of internal audit activities ( Endaya & Hanefah, 2013).

The 3<sup>rd</sup> hypothesis of this study indicated that organization independence has a positive significant effect on effectiveness of financial performance. As krichene & Baklouti (2020) pointed out that the internal audit function must be independent and perform its work objectively. It has not to be subjected to interference from external parties when carrying out its work and communicating results. Therefore, the independence of the auditor is an important factor in the quality of the internal audit function. Consequently, the internal audit function must be at an adequate hierarchical level inside the company to be able to exercise its responsibilities, and the independence of the internal auditor is achieved only when he submits his reports to the Board of Directors.

The 4<sup>th</sup> hypothesis deals about effect of organization independence on the effectiveness of financial management. Moreover, Suleiman et al (2018) established that independence of IA department affects the performance of Nigerian universities to a certain extent. The finding indicates that an internal audit department must be independent in terms of personnel and operational activities of an organization of internal allows the audit activity to conduct work and be perceived to conduct work without interference by the entity under audit and independence is a key factor for the internal audit activity to add value. According to research done by Kirima (2016), there is positive and significant relationship between internal audit independence and performance.

The other research also evidenced that there is positive relationship between independency of internal audit and good governance in public sector (Shewamene, 2014). Independence of internal audit was also clearly evidenced that there is statistically significant and positive relationship between independency of internal audit and organizational performance in public sector (Kanbiro,2019). Therefore, all the above studies supported that organization independence has positive effect on performance of one organization but the present study disprove that organization independence has negative effect on effectiveness of financial management.

The 5<sup>th</sup> hypothesis focused on the effect of Management support on the effectiveness of financial management. The study finding revealed that Management support has a positive significant effect on effectiveness of financial management. This study supported the finding obtained by (Aburabe, 2015). In this regard, the researcher found that management support has significant and positive contribution for the IAE. Similarly, Mihret &Yismaw (2017) have a studied on internal audit performance of an Ethiopian public sector case study amongst the higher education institutions are among those who indicated the existence of a positive linkage between top management support and internal audit performance. As in all case studies, the generalizability of the conclusions of this study is limited. Similarly, Cohen and Sayag (2010), Alzeban & Gwilliam (2014) and George et al. (2015) studies concluded that management support is indeed a key determinant of audit performance. The study also indicated the positive and significant relation internal of this determinant with all the other variables that impact performance of internal audit.

**Table 4.14 Summary of Hypothesis Testing Results**

No	Hypothesis	Sig.	Result
1	H1: internal audit proficiency has positive a significant effect on effectiveness of financial management	.000	Accepted
2	H2: quality of audit work has a positive significant effect on the effectiveness of financial management	.003	Accepted
3	H3: organizational independence has a positive significant effect on the effectiveness of financial management	.001	Rejected
4	H4: career development has positive a significant effect on the effectiveness of financial management	.288	Rejected
5	H5: management support has a positive significant effect on the effectiveness of financial management	0.000	Accepted

**Source:** based on the regression result (2022)

## **CHAPTER FIVE**

### **Summary of Major Findings, Conclusions and Recommendations**

#### **5.1 Introduction**

This chapter presents a summary of finding, conclusion, and recommendations. After conclusions are made from the major findings, possible recommendations forwarded based on the findings of the study. The study aimed to assess the Effect of Internal Audit Efficiency on Effectiveness of Financial Management in the case of Ethiopian trading business corporation consumer products trade business unit (Alle Bejimila).

From 151 total sample size in the study,145 respondents completed the questionnaires whereas with the 5 respondents interview were conducted and document review from the government report was conducted.

#### **5.2 Summary of Major Findings**

Based on the major findings discussed in the preceding chapter, the major findings are indicated briefly as follows.

With regard on the effect of internal audit proficiency on the effectiveness of financial management, the finding of the study revealed that internal audit team has an appropriate programme of continuing education. This implies that the organization has planned programs to learn from weakness and strengthening positive side while implemented internal audit. In the same way, the study identified that members of the team participate in professional development training programmes. This indicates that employees who are worked in auditing activities have participated different training programs so as to fill their skill gaps which can observed in the internal audit system. In addition to this, the finding of the study disclosed that internal audit unit possess has the appropriate professional skills, qualification and experience. This means that employees who are served the organization especially in the internal audit have their own skills, qualifications and experiences at large.

In the context of effect of quality of audit work, the finding of the study depicted that the management decision making process is strongly affected by reports, findings and recommendations of IA unit. In the same way, the study finding realized that IAs are conducted in conformance with the international standard for professional practice of internal auditing, IA unit adhere to the Institute of Internal Auditors (IIA) code of ethics,

IA unit organises or performs peer reviews or self -assessment of its performance and the evaluation of IA report by external auditors and other external authorities is positive.

However, the study identified that internal audit unit hasn't conducted regular follow-up to examine actions taken to correct problems identified, internal audit plan wasn't aligned to the key risks of the assembly and other quality assurance activities and the work of internal audit hasn't timely and proactive in the conduct and reporting of issues to management.

With regard on the effect of organizational independence on the effectiveness of financial management, the study identified that internal audit participates in major decisions affecting the IA unit, IA unit takes part in designing systems in the organization and in developing procedures for regulating their operations, IA unit is an autonomous and independent body and IA unit has the authority to audit all parts of the organization. But the study clearly realized that detailed budget proposals haven't included in the annual work plan of the IA unit and internal audit hasn't performed other activities even if they are not defined as its direct responsibility. In addition to this, internal audit hasn't operated totally independently, can audit any issue it considers necessary of auditing.

In the context of effect of career advancement on the effectiveness of financial management, the finding of the study disclosed that internal audit unit is highly regarded and respected within the organization and Internal audit staffs have the opportunity to participate in professional development training to enhance audit skills but promotion for internal audit staff hasn't prolonged and interfered.

The last objective identified in the study mainly focused on the effect of top management on the effectiveness of financial management. In this regard, the study finding depicted that top management doesn't provide IA unit with the encouragement expected. This implies that there was a weakness found among the top management to encourage internal auditor to accomplish their tasks in a well-organized manner.

Furthermore, the study realized that top management usually assign a small budget to the IA unit, top management doesn't provide assistance for training and development for IA audit staff and IA units gets the attention of top management and focuses on issues audited by IA units.

### **5.3 Conclusion**

The study mainly focused on the effect of internal audit efficiency on effectiveness of financial management in Addis Ababa City Administrations: the case of Ethiopian trading business corporation consumer products trade business unit (Alle Bejimila). The study concludes that internal audit proficiency has played a crucial role to attain effective financial management in the organization. In this regard, employees working in the organization have adequate skills, knowledge and experiences to delivery rapid internal audit service in a well-organized manner.

The study also concluded that quality of audit work in the organization found in a good condition. This means internal auditor performed different activities based on rules and regulations set by the organization. But it is difficult to conclude that internal auditor not free from problems. This means regular follow-up to examine actions taken to correct problems identified, internal audit plan, timely and proactive in the conduct and reporting of issues to management are existed in the organization.

Furthermore, the study concludes that internal auditors can be performed independently. This means that internal auditors are concluded their own tasks freely without the interference of any external bodies for the long run. However, the study clearly identified that allocated budget to accomplish internal audit activities has a problems existed in the organization.

Moreover, the study conclude that internal auditors has got an advantage of participation in professional training so as to enhance their skills for achieving effective financial management in Alle Bejimla.

The study identified also identified that top management has a weakness to support internal auditor professionals to accomplish their tasks. This means that top management hasn't encouraged employees to deliver effective financial management in the organization.

Based on the regression coefficient discussed in the finding, the study conclude that internal audit proficiency, quality of audit work, organizational independence and top management has a significant effect on effectiveness of financial management.

## 5.4 Recommendations

Based on the gaps identified by the findings, the following points have forwarded to minimize problems encountered in internal audit system.

- ❖ The study identified that IA unit didn't have regular follow-up to examine actions taken to correct problems. To address this problem, the Ethiopian Trading business corporation can conduct a regular follow up program through establishing strong monitoring and evaluation mechanisms.
- ❖ The study realized that internal audit hasn't aligned to the key risks of the assembly and other quality assurance activities. To alleviate this problem, the organization try to establish a framework especially risk identification system through providing capacity training program for the employees.
- ❖ Moreover, the study identified that the work of internal audit wasn't timely and proactive in the conduct and reporting of issues to management. To alleviate this issue, the organization top management and planning department support the internal auditors to conduct timely report for the concerned bodies.
- ❖ Detailed budget proposals haven't included in the annual work plan of the IA unit. To solve this problem, the organization top management can collaborate with the concerned department to allocate adequate budget in order to accomplish effective internal audit activities.
- ❖ Internal audit operates hasn't totally independently to conduct audit in the organization. To minimize unwanted interference, it is possible to prepare clear working systems in the organization.
- ❖ Internal audit staffs haven't prolonged and interfered in the organization. To minimize this problem, the organization human resource department tries to facilitate promoting for outstanding auditor experts through upgrade his/her education as well as other incentive activities for a well-organized circumstances.
- ❖ Top management has a problem provide IA unit with the encouragement expected and provide assistance for training and development for IA audit staff. To address those problems, the organization human resource department work smooth relationship with the top management to enhance internal audit skill gabs and encourage staffs to freely work their task effectively.

## Reference

- Abdulaziz, A., & Nedal, S. (2013). The Role of Internal Audit Function in the Public Sector Context in Saudi Arabia. *African Journal of Business Management* 7, 443- 454.
- Aburabe, H. M. (2015). An Investigation on Factors Affecting the Internal Audit Performance: A Survey On the Libyan Commercial Banks. *University Utara Malaysia*. 20(3), 296-307.
- Adams, M. B. (1994). Agency Theory and Internal Audit. *Managerial Auditing Journal*, 8-12.
- Adekola,R,D;Kemisola ,F,A; Adesodun ,I,A & Adewale,A,O.(2019). Impact of internal audit function and efficiency on organisational performance. *International Journal of Accounting Research (IJAR)*
- Adeyemi, S. (2010). Audit Quality, Corporate Governance and Firm Characteristics in Nigeria. *International Journal of Business and Management*.
- Ali, Abdul & Rahman Saeed. (2019). The financial crisis and its impact on the quality of internal auditing in government units: A study on a sample of internal auditors in Anbar Governorate, *Tikrit Journal for Administrative and Economic Sciences*, 15(45), Part 1, College of Administration and Economics, University of Tikrit, Iraq.
- Al-Khaddash,H; Al Nawas,R; & Ramadan,A.(2013). Factors affecting the quality of auditing: The case of Jordanian commercial banks. *International Journal of Business and Social Science*,4(11).
- Al-Sayaad, J; Rabea, A; Samrah, A.(2006). *Statistics for Economics and Administration Studies*. Dar Hafez, Jeddah, Kingdom of Saudi Arabia.
- Al-Twajjry, A., Brierley, J., & Gwilliam, D. (2003). The development of internal audit in Saudi Arabia: An institutional theory perspective. *Critical Perspectives on Accounting*, 14(2), 507-531. [http://dx.doi.org/10.1016/S1045-2354\(02\)00158-2](http://dx.doi.org/10.1016/S1045-2354(02)00158-2)
- Alzeban A & Gwilliam D. (2014). Factors affecting the internal audit effectiveness: A survey of the Saudi public sector, *J. Int. Account. Audit.Taxat.* 23:74-86
- Asmamaw, G, M, Mohammed, S, A & Abraham, G,B. (2014). The role of internal audit in public financial management: an Ethiopian public sector case study. *International Journal of current research Auditors*, Altamonte Springs, FL.

- Badara. M .S & Saidin.S.Z (2014). Empirical Evidence of Antecedents of Internal Audit Effectiveness of internal audit on organisational performance :A case study of Hivos Effectiveness from Nigerian Perspective. Middle East Journal of Scientific Research, Vol .19, Issue No.4, pp.460-471.
- Bou-Raad, G. (2000). Internal Auditors and value-added Approach: The New Business Regime. Managerial Auditing Journal, 15(2), 182-186.  
<http://dx.doi.org/10.1108/02686900010322461>
- BouRaad, G. (2017). Internal auditors and a value-added approach: the new business regime. Managerial Auditing Journal
- Beza, D.(2017). Assessment of internal audit effectiveness the case of commercial bank of Ethiopia
- Chun, C. (1997). Functions and Objectives of Internal Audit and their underlying Conditions. Managerial Auditing Journal, 247-250.
- Cohen, A., & Sayag, G. (2010). The effectiveness of internal auditing: An empirical examination of its determinants in Israeli organisations. Australian Accounting Review, 54(20), 296-307. <http://dx.doi.org/10.1111/j.1835-2561.2010.00092.x>
- Daft, R. L. (2010). Organization Theory and Design. Natorp Boulevard: Erin Joyner.
- Davoren, J. (n.d.). (1994). Houston Chronicle. Retrieved from Contingency Theory Auditing:
- Desmond, Z; Isaac, C, O &Tahir. A.A. (2018). Effect of internal audit practices on financial management . European Journal of Business, Economics and Accountancy. Vol. 6, No.
- Endaya, Khaled Ali & Hanefah, Mustafa Mohd, (2013). Internal audit effectiveness: An approach proposition to develop the theoretical framework, Research Journal of Finance and Accounting, 4(10), 92-102.
- Enofe, A. O., Mgbame, C., Otuya, S., & Ovie, C. (2013). Human Resource Accounting Disclosure in Nigerian Quoted Firms. Research Journal of Finance and Account, 4 (13), 7-12.
- Erasmus, L., & Coetzee, P. (2018). Drivers of stakeholders' view of internal audit effectiveness Management versus audit committee. Managerial Auditing Journal, 33(1): 90–114
- Fernandez, S., & Rainey, H. G. (2006). Managing successful organisational change in the public sector. Public Administration Review, 66(1), 168-176.  
<http://dx.doi.org/10.1111/j.1540-6210.2006.00570.x>

- Fikre, G, B. (2019). The effect of internal audit on the financial performance of bureau of finance & economic development of the Oromia regional state
- Furiady, O., & Kurnia, R. (2015). The Effect of Work Experiences, Competency, Motivation, Accountability and Objectivity towards Audit Quality. *Procedia-Social and Behavioural Sciences*, 211, 328-335.
- George, D., Theofanis, K., & Konstantinos, A. (2015). Factors Associated with Internal Audit Performance: Evidence from Greece. *Journal of Accounting and Taxation*, 7(7), 113-122.
- Goodwin, J. (2001). Two factors affecting internal audit independence and objectivity: Evidence from Singapore. *International Journal of Auditing*, 5(2), 107-125.  
<http://dx.doi.org/10.1111/j.1099-1123.2001.00329.x>  
<http://smallbusiness.chron.com>
- Ibironk,E,O.(2019). Effect of Internal Audit Quality on Corruption in Nigeria Public Sector. *Amity Journal of Corporate Governance* 4 (1), (1-14)
- IIA. (2013). *International Professional Practice Framework (IPPF)*. Florida, USA: Institute of Internal Auditor
- Jahan, S., Marshall, A & Gamble, R. (2019). January. Evaluating Security Assurance Case Adaptation. In *Proceedings of the 52nd Hawaii International Conference on System Sciences.*)
- Josephine, N. (2019). Effect of internal audit on financial performance of commercial banks in Uganda; a case study of Stanbic bank Kansanga branch
- Kagermann, H. (2008). *Internal audit hand book: management with SAP audit road map*. German Berlin: Springer Verlap Berlin Heidelberg.
- Kanbiro, O, D. (2019). Internal Audit Quality and Its Impact on Public Sector Organizational Performance: Evidence from Sector Bureaus of Southern Ethiopia. *International Journal of Economy, Energy and Environment*. Vol. 4, No. 6, pp. 118- 131. doi: 10.11648/j.ijeee.20190406.12
- Kirima N. (2016). *Factors Affecting the Performance of the Internal Audit Function In Government Ministries in Kenya: A Research Project Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirement for the Degree of Masters in Business Administration (MBA) United States International University–Africa.*

- Kitojo, C.(2014). Impact of internal audit efficiency on effectiveness of financial management in public sector organizations: a case study of local government authorities in Shinyanga region.
- Krichene, Aida & Baklouti, Emna. (2020). Internal audit quality: perceptions of Tunisian internal auditor's explanatory research, *Journal of Financial Reporting and Accounting*
- Leech, N. L & Onwuegbuzie, A. J. (2006). Linking research questions to mixed methods data analysis procedures 1. *The qualitative report*, 11(3), 474-498
- Letza, S. R. (1996). Performance Measurement and Management Integrated Frameworks. *Business Process Re-engineering & Management Journal*, 54-76. Limited UK.
- Liston-Heyes, C & Juillet, L. (2019). Employee isolation and support for change in the public sector: a study of the internal audit profession. *Public Management Review*, 21(3), pp.423-445
- Macrae, E. & Van Gils, D. (2014). Nine Elements for Internal Audit Effectiveness in the Public Sector. Altamonte Springs, FL: Institute of Internal Auditors Research Foundation: 18-30.
- Marika,A. (2013). Internal audit in Italian Universities: an empirical study. *Procedia Social and Behavioural Science*.
- Mekdes, F. (2021). Effects of internal audit practice on organizational performance; the case of Ethiopian shipping & logistic service enterprise (ESLSE).
- Mihret, D. G & Yismaw, A.W. (2007). "Internal audit effectiveness: an Ethiopian public sector case study": *Managerial Auditing Journal*, 22(5), 470-84
- Moeller, R. (2011). *COSO Enterprise Risk Management: Establishing Effective Governance, Risk, and Compliance (GRC) Processes*. 2nd ed. Hoboken, N.J.: John Wiley & Sons.
- Mugenda, A. G. (1999). *Research methods: qualitative and quantitative approaches*. Nairobi: Acts Press. Munich, GRIN Publishing GmbH
- Nebro, A. (2013). *The Effect of training practice on employee performance: the case of commercial bank of Ethiopia headquarter (Doctoral dissertation)*.
- Nwoko, C & Anyanwu, K. (2012). *Public Financial Management in Nigeria*  
[escuelapnud.org/biblioteca/pmb/opac\\_css/doc\\_num.php?explnum\\_id...](http://escuelapnud.org/biblioteca/pmb/opac_css/doc_num.php?explnum_id...)  
 (Accessed dec 10, 2013)
- Ojong,N.E & Ekponta,P.E. (2014). The effect of internal audit function on the financial performance of tertiary institutions in Nigeria. *International Journal of Economics Commerce and Management*

- Olu Ojo (2009). "Efficient Financial Management for Local Governments: The Nigerian Experience", Vol. LXI, No 2/2009.
- Ondieki, M, N. (2013). Effect of internal audit on financial performance of commercial banks in Kenya
- Robertson, J. C. (1976). Auditing. Business Publications, Incorporated
- Sawyer, L. A. (2013). the manager and internal auditor. Newyork: Wiley.
- Sayag, A. (2016). The effectiveness of internal auditing. Australian accounting review, 296-304.
- Shewamene, H. (2014). Determinants of internal audit effectiveness in the public sector, case study in selected Ethiopian public sector offices, a research paper submitted to Jimma university post graduate office in partial fulfillment of the requirement for the master's degree of science in accounting and finance (msc.).
- Solomon, D.(2019). Internal audit practice and its effect on company performance: case study in Ethiopian shipping and logistics service enterprise
- Solomon, K,M; Abraham, A & Wondwossen, J. (2019). Determinants of Internal Audit Effectiveness (IAE) in the Ethiopian Public Enterprise, Case of Southern Region. Journal of Resources Development and Management
- Tadele T. (2017). The Analysis of Policy Dynamism in Ethiopia since 1991 to Date. Ethiopian Civil Service University
- Tesema, G. (2018). The Role of Internal Audit Practice to Promote Good Governance inPublic Institution of Ethiopia: The Case of Jimma Zone. Global Journal of Management and Business Research: D Accounting and Auditing 18 (2) pp 41-55.
- Turner III, D. W. (2010). Qualitative Interview Design: A practical guide for novice
- Turretken, Oktay; Jethefer, Stevens & Ozkan, Baris, (2019), Internal audit effectiveness: operationalization and influencing factors, Managerial Auditing Journal, 35(2), 238-271.
- Volosin, E. (2007). The Theories Of Audit Expectations and the Expectations Gap.
- White, A.W. (1976). The Essentials for the Effective Internal Audit Department', Internal Auditor, April: 30-33.
- Wubishet, J, D & Dereje, G, R. (2018). Factors Determining Internal Audit Quality: Empirical Evidence from Ethiopian Commercial Banks. Research Journal of Finance and Accounting Vol. 4, No. 6.
- Yamane, T. (1967). Statistics: An Introductory Analysis, 2nd edition, New York: Harper and Row



**Part II: Questions related to the effect of internal audit proficiency on the effectiveness of financial management**

**Instruction:** Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position.

The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

No	Internal audit proficiency	Liker scale				
		1	2	3	4	5
1	IA unit possess the appropriate professional skills, qualification and experience					
2	IA unit has the right mix and competencies in specialist areas such as IT and treasury					
3	IA team has an appropriate programme of continuing education					
4	Members of the team participate in professional development training programmes					

**Part III: Questions related to the effect of Quality of audit work on the effectiveness of financial management**

**Instruction:** Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position.

The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

No	Quality of audit work	Liker scale				
		1	2	3	4	5
1	IA unit adhere to the Institute of Internal Auditors (IIA) code of ethics					
2	IAs are conducted in conformance with the international standard for professional practice of internal auditing					
3	IA unit has a quality assurance and improvement programmer					
4	IA unit organizes or performs peer reviews or self-assessment of its performance					
5	IA unit do regular follow-up to examine actions taken to correct problems identified					
6	IA plan is aligned to the key risks of the assembly and other quality assurance activities					
7	The evaluation of IA report by external auditors and other external authorities is positive					
8	IA reports are clear and accurate					
9	The work of IA is timely and proactive in the conduct and reporting of issues to management					
10	Management decision making process is strongly affected by reports, findings and recommendations of IA unit					

**Part IV: Questions related to the effect of Organizational independence on the effectiveness of financial management**

**Instruction:** Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position.

The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

No	Organizational independence	Likert scale				
		1	2	3	4	5
1	IA unit is an autonomous and independent body					
2	IA unit has the authority to audit all parts of the organization					
3	Detailed budget proposals are included in the annual work plan of the IA unit					
4	IA performs other activities even if they are not defined as its direct responsibility					
5	IA operates totally independently, can audit any issue it considers necessary of auditing					
6	IA staff has free access to information and data about the organization					
7	IA unit takes part in designing systems in the organization and in developing procedures for regulating their operations					
8	IA participates in major decisions affecting the IA unit					

**Part V: Questions related to the effect of Career development on the effectiveness of financial management**

**Instruction:** Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position.

The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

No	Career development	Liker scale				
		1	2	3	4	5
1	Internal audit staffs have the opportunity to participate in professional development training to enhance audit skills					
2	Internal audit unit is highly regarded and respected within the organization					
3	Promotion for internal audit staff are not prolonged and interfered					

**Part VI: Questions related to the effect of Management support on the effectiveness of financial management**

**Instruction:** Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position.

The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

No	Management Support	Liker scale				
		1	2	3	4	5
1	Management support does not provide IA unit with the encouragement expected					
2	Management usually assign a small budget to the IA unit					
3	Management does not provide assistance and encouragement for training and development for IA audit staff					
4	IA units gets the attention of top management and focuses on issues audited by IA units					
5	The number of employees in the IA unit is limited given the amount of auditing work planned and needed to be done in the near future					
6	Part: effectiveness of financial management performance in the organization					

**Thank you for your cooperation!!**

**Part VII: Questions related to Effectiveness of Financial Management**

**Instruction:** Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position.

The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

S. No	Effectiveness of Financial Management	Liker scale				
		1	2	3	4	5
1	comment on financial transactions made in accordance to the budget					
2	political influence /contribute to ineffective financial payments					
3	cash available meet and solve the arising financial matters as they happen					
4	comment on financial transactions compliance with applicable laws and regulations					

If you have additional information please specify here

-----

-----

-----

-----

**Thank you for your cooperation!!**

## **Appendix II**

### **Interview Guiding Questions**

1. Please indicate your position-----
2. Your experience in the organization-----
3. What is your view on the independence of the Internal Auditors in performing their functions?
4. What do you think should be done to improve the efficiency of internal audit Service unit?
5. Is the management giving necessary attention to internal auditor's recommendation?
6. Does the internal audit unit perform their work in a more professional manner?
7. Is internal audit unit contributing to the effectiveness of financial management?
8. Does the internal auditor get Career development by the organization?
9. How do you evaluate the Quality of internal audit work in your organization?
10. Generally, what do you suggest to improve the efficiency of internal auditor to enhance the effectiveness of financial management?

**Thank you for your cooperation!!**