

# The Effectiveness of Internal Audit in Improving Corporate Governance: A Case of an Ethiopian Public University, Ethiopia

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**Abstract:** *The importance of internal audit as element of a strong public sector governance foundation is increasing from time to time. Therefore, the purpose of the study was to assess the effectiveness of the internal auditing in improving corporate governance of Bule Hora University. Descriptive research design has been used with primary and secondary data by using structured questionnaire, in-depth interview & documentary review. The study reveals that the internal audit unit has low technical proficiency, did not have adequate resource, internal audit recommendations are not afforded enough attention and there was no audit charter and audit committee in the university. Thus, the study forwarded the following recommendations. Internal audit unit technical proficiency should be improved, provision of sufficient resources and should have audit committee that ensures the independence of internal audit, and finally, the University should establish internal audit charter for internal auditors.*

**Key words:** *Internal Audit; Corporate Governance; Audit Committee; Audit Charter; Effectiveness*

## **I. Introduction**

The public sector internal audit function is an element of a strong public sector governance foundation. Most public sector internal auditors also play a central role in the accountability of entities to address public as part of the check-and- balance process. Moreover, organizational status regarding the internal audit activity should be sufficient to allow it to accomplish its activities as defined by its audit charter. The audit activity must be positioned in such a way that it may obtain cooperation from management and staff of the program or entity being audited, and have free, unrestricted access to all the functions, records, property including those charged with governance (IIA, 2012).

Traditionally, internal audit has a function to examine and evaluate control processes and a procedure in a company while the external audit provides attestation services to the reports by the

company (Zain et.al, 2015:147). In fact, an internal audit function in any organizations (both private and public) assists management in achieving effectiveness in the areas such as risk management, internal control and operation. This said, internal audit which is traditionally a feature of public sector and large organization. It is now essential function of any organization (Eke 2015). This study was conducted to address the effectiveness of internal audit in improving corporate Governance evidence from Bule Hora University. Thus, the study aimed to measure the internal audit practices and its effectiveness in the University in line with four major interrelated factors; competence of internal audit, its independence, the organizational setting and management support. Henceforth, the research paper organized in to five sections. The first section presents the introduction, statement of the problem, basic research questions, and objectives of the study. A review of the related literature

addressed in section two. The third part present research methodology, the fourth section provides empirical evidence for the information, and the fifth section presents the major findings. In this last section, the paper summarizes the major findings and suggests avenues for future research.

### **Statement of the problem**

According to the Internal Professional Practice Frame work (IPPF), developed by Institute of Internal Auditors in North America, the internal audit should assess and make appropriate recommendation to improve the governance process of all organization including public and private organizations in accordance with the prescribed mechanisms (IPPF, 2017). Therefore; the quality of internal auditing depends on knowledge and experience of audit department and provision of sufficient time to conduct the audit work; the applications of a rigorous audit process and the quality control procedures; appropriate interaction procedures with various stakeholders; and submission of timely findings and recommendations (Sawyer, 1995; IAASB, 2013).

The empirical research, for instance, Eulerich et al (2015) identified key activities regarding effectiveness and efficiency of corporate governance which incorporate the internal control function, the members of internal auditing and the audit committee are positively linked to efficient and effective governance processes, internal control and risk management. Moreover, Abbott et al (2016) asserted that the joint presence of competence and independence is necessary antecedent for effective internal auditing and financial reporting monitoring to prevail. Furthermore, recently Drogalas et al (2016) confirm the positive association between corporate governance and audit committee.

However, the study done in Ethiopian across government Universities shows that low technical staff proficiency and high turnover limit its capacity to provide efficient service to management. Moreover, internal audit recommendations never afford sufficient attention from concerned bodies (Mihret and Yismaw, 2007). Previously, most researchers have been emphasizing the need to strengthen corporate

governance (Gamal, 2015). Though few researches have ascertained the relationship between internal audit and corporate governance, however researchers fail to integrate effective auditing practice with the corporate governance, in Ethiopian context. Likewise, no research had been conducted in Bule Hora University. Thus, the following research questions were proposed to investigate the effectiveness of the audit unit:

- What were the major factors that limit the effectiveness of internal audit in Bule Hora University?
- What are the internal audit activities performed by internal auditors of the University?
- What are the solutions that help enhance the effectiveness of internal audit to improve corporate governance?

### **Scope of the study**

In Ethiopia, there were about 40 public universities, among them this study was investigated only the effectiveness of internal auditing in promoting corporate governance a case Bule Hora University.

## **II. Literature review**

### **Theoretical Framework**

Internal audit function is responsible for the operation of internal audit. When an organization collapsed unexpectedly, there is always a suspicion that the internal control system was ineffective, not well organized and ineffective risk management policy. Much More duties are placed on auditors in perspective of corporate because auditor is likely the first person to detect corporate governance (Pandya, 2013) Good governance is now considered a basic criterion to accept a business in a majority of stock exchange markets in the world (Al-Baidhani, 2016). Internal and external audit reduce the business risk of a company and ensure that its financial statements fairly depict the economic stability of the business (Nerantzidis, 2015).

### **Key Elements of an Effective Public Sector Audit activity**

An effective public sector auditing practice strengthens governance through materially

increasing citizen's ability to hold their government accountable. Auditors perform an essentially important function in those aspects of governance that are crucial promoting credible, justice, and proper behavior to prevail among government officials, while reduce the tendencies of corruption. Therefore, it is essential that government audit activities configured and entail broader mandate to achieve these objectives. At a minimum, government audit activities needs;

**Organizational independence-** allows audit activity to conduct work without interference by the entity under audit. The audit activity should have sufficient independence from those to be audited so that it can both conduct and be perceived to conduct its work without interference. A formal mandate states audit activity's powers and duties should be established by the public sector's constitution, charter, or other basic legal document. Among other topics, this would address procedures and requirements of reporting and the obligation of the audited entity to collaborate with the auditor.

**Unrestricted access:** Audits should be conducted with complete and unrestricted access to employees, property, and records as appropriate for the performance of audit activities.

**Sufficient funding:** The audit activity must have sufficient funding relative to the size of its audit responsibilities. This important element should not be left under the control of the organization being audited because the budget impacts the audit activity's capacity to perform its responsibilities.

**Competent leadership:** The head of the audit activity must be able to independently and effectively recruit, retain, and manage highly skilled staff without undue managerial or political influence. The leader should be knowledgeable of applicable audit standards, professionally qualified — preferably certified — and competent to oversee and manage an audit function. Moreover, the CAE should be an articulate public spokesperson for the audit activity.

**Objective staff:** An audit activity's staff must be objective. Audit staff must have impartial

attitudes and avoid any conflict of interest. Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. A conflict of interest may exist even if no unethical or inappropriate act results. Such a conflict can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. Moreover, conflict of interest impaired an individual's ability to perform audit duties and responsibilities objectively.

**Competent staff:** The audit activity needs a professional staff that collectively has the necessary qualifications and competence to conduct the full range of audits required by its mandate. Auditors must comply with minimum continuing education requirements established by their relevant professional organizations and standards.

**Stakeholder support:** The legitimacy of the audit activity and its mission should be understood and supported by a broad range of elected and appointed public sector officials, as well as by the media and involved citizens.

**Professional audit standards:** Professional audit standards, such as International Professional Practices Framework (IPPF) promulgated by Institute of Internal Auditors, support the implementation of the previous elements and provide a framework to promote quality audit work which is systematic, objective, and based on evidence.(IIA,2006).

#### **The Audit Committee**

Typically, the main role of audit committee was almost exclusively to supervise financial reporting process. However, recently with corporate governance system, the role of audit committee encompasses duties and responsibilities in a number of areas such as financial statements and reporting, evaluation of internal audit and internal control system, external audit planning, risk management and environmental management system (AbdulSaleh,2014;Al-Mudhaki and Joshi ,2004)

#### **Internal Audit Charter**

The internal audit charter is the best way to agree

and describe how internal audit will provide value to the organization, the nature of the services it will provide and the specific focus or emphasis required of internal audit to help the organization achieve its objectives. Having an internal audit charter also establishes the internal audit activity's position within the organization, including the head of internal audit's (HIA) reporting lines, authorizing access to records, personnel, and physical properties relevant to the performance of engagements; and also defining the scope of internal audit activities. It is therefore a reference point for measuring the effectiveness of internal audit. Moreover, the charter should be reviewed periodically to ensure that it remains relevant to the needs of the organization (IIA, 2012).

#### **Internal audit effectiveness framework**

Internal audit effectiveness is a multifaceted concept; it is measured by distinguishing factors like organization, resources, processes and relationships (Lenz et al, 2014). Another scholar measured internal audit effectiveness with the factors like competence, independence, planning and quality assurance (Jiang et.al, 2014). Similarly, Regoliosi and D'Eri (2014), Created a weighted index internal audit variables related to its formality structure, program and activity. Organization with powerful and proficient internal audit work can identify misrepresentation more than those that have not such capacity inside their organization (Desmedt et al, 2017).

Internal audit function is responsible for the operation of internal audit within the company. The pillars for the good operation of the internal audit function are resources, competence of internal auditors, structure and implementation of IIA's standard (IIA, 2017). Using agency theory, Mihret and Yismaw (2007), described the characteristics of effective internal audit unit from the internal audit point of view as;

- Undertakes an independent evaluation of financial and operating systems and procedures;
- Contributes to the achievement of organizational goals;
- Needs management's commitment to implement recommendations;
- Provides useful recommendations for

improvements as necessary

- Affected negatively by lack of attention from management which in turn adversely affects the auditee attributes; and
- Management support is a natural quid pro quo for effective internal audit.

Internal, external auditing and audit committee are three legged tool of corporate governance that improves the financial reports (Mihret and Grant, 2017). Internal audit function makes reviews and recommendations so as to add value for entity. Moreover, it has a result of achievement of operational business's goals (Koutwpis and Pappa, 2018). It increases the financial reporting (Gamayuni, 2018).

While, IAASB (2013), pointed out that Auditors are responsible for the quality of individual audits, and should aim to ensure that quality audits are consistently performed. A quality audit is likely to be achieved when the auditor's opinion on the financial statements should be based on sufficient appropriate audit evidence obtained by an engagement team that:

- Exhibited appropriate values, ethics and attitudes;
- Was sufficiently knowledgeable and experienced and had sufficient time allocated to perform the audit work;
- Applied a rigorous audit process and quality control procedures;
- Provided valuable and timely reports; and
- Interacted appropriately with a variety of different stakeholders.

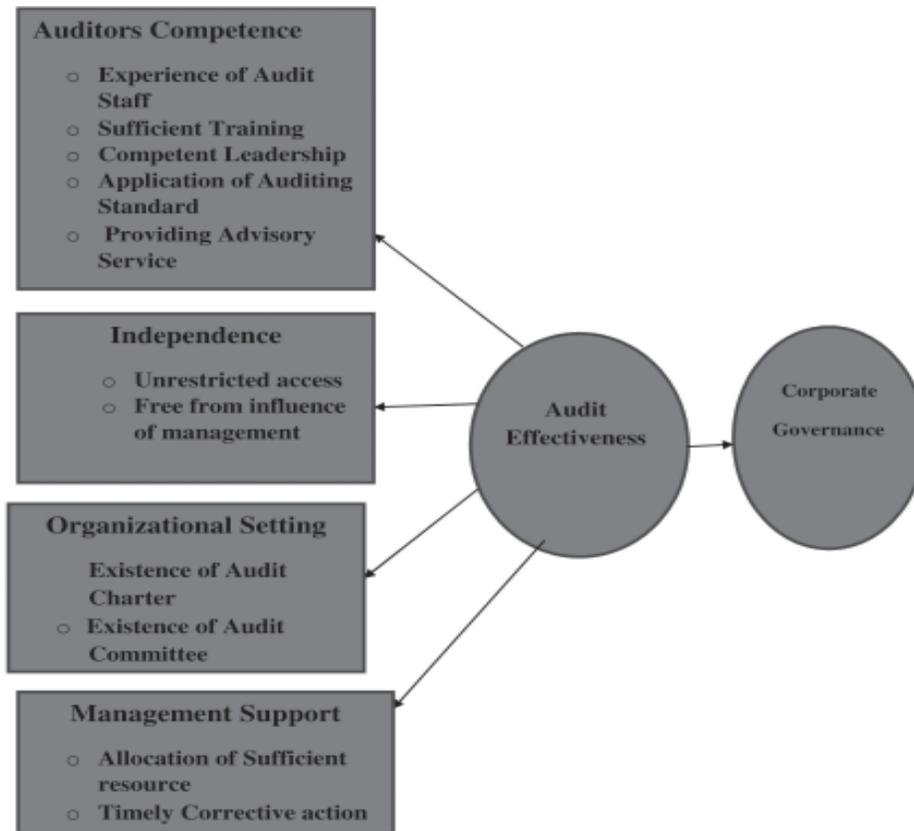
Internal audit effectiveness is positively related with the formally definition of the purpose, authority and responsibility of internal audit activity in an internal audit charter (IIA, 2016: Standard no. 1000). Secondly auditor's proficiency requires the internal auditors to be with the high skills, knowledge and other competencies to perform their responsibility (IIA, 2016: Standard no. 1210).

Internal audit experience is positively related to Internal Audit effectiveness in many different setting (Shamki and Alhajiri, 2017). IA to be effective should establish a risk based audit plan to determine the priorities of internal audit activity, consistent with the organization's goals (IIA, 2016 Standard no. 2010).

## Conceptual framework

The conceptual framework for the factors that affected internal audit effectiveness is illustrated as shown in figure 1

Figure. 1: The Conceptual model of Corporate Governance (Developed by the Researcher)



## Empirical review literature

Some of the studies have been carried out treating internal audit (as independent variable) and corporate Governance (as dependent variable). Other empirical studies carried out on these two variables are examined below; Asaolu, Adedokun & Monday (2016) had examined the effect of internal audit function (IAF) on good governance in the public sector in Nigeria. The main objectives of the study were to specify the role of internal audit function in ensuring good governance in the public sector in Nigeria. Primary data for the study were obtained using structured questionnaire and data analysis was

done using correlation analysis and multiple regression technique. The study found out that internal audit moderately contributes to the effectiveness of corporate governance in the public sector in Nigeria and concluded that the internal audit function is absolute tool for promoting good governance in the Nigerian public sector. The study had recommended that there should be legal mandate in public sector organizations that allows government information to be publicly published and that special funds should be made available to internal auditors as it enhance the effectiveness of the internal audit function and boost good governance in public organizations.

In another study, Changwony & Rotich (2015), were examined the role of internal audit function in promoting effective corporate governance in selected commercial banks in Kenya. The purpose of the study was to determine the role of the internal audit function in promoting effective corporate governance of commercial banks in Kenya. Survey design was adopted for the study approached using stratified sampling technique used in selecting the sample elements. The findings of the study revealed that internal audit has a positive and significant influence on effective corporate governance. The study concluded that internal audit function plays strong positive and significant role in promoting effective corporate governance of commercial banks in Kenya. The study recommended that the audit committee should take responsibility approving the appointment, remuneration and disengagement of the Chief Audit Executive to enhance the effectiveness of internal audit function..

Furthermore, the study done on Ethiopian public universities reveals that the technical proficiency of internal audit is low, high turnover, lack of sufficient resource, lack of sufficient attention to the internal audit recommendation limits the effectiveness of the audit department ( Mihret and Yismaw, 2007).

#### **Aim and objectives of the study**

The general objective of this study was to assess the effectiveness of internal audit in improving corporate Governance the case of Bule Hora University. In order to achieve the general objective, the following specific objectives were outlined;

- To identify the major factors that limited the effectiveness of internal audit in Bule Hora University.
- To assess the internal audit activities performed by internal Auditors.
- To suggest possible solutions that help enhance the effectiveness of internal audit to so as to promote corporate governance.

### **III. Research Method**

In this research, to achieve the stated objective, descriptive research was employed. The method

is chosen because it enables to conduct detailed analysis using multiple sources of data (Soy, 1997). To enhance the quality of data through triangulation, multiple data sources were used through document review, interview, and questionnaires; both qualitative and quantitative data were used.

Primary data collected using structured questionnaires distributed to internal auditors, finance officers and management committee members. Interview was conducted with the internal audit director. A review of relevant documents – audit plans, audit programs, working papers, audit reports and audit manuals, all served as means of generating secondary data. The interview and document examination were used to corroborate the patterns that evolved from the data collected via questionnaires so that the validity of the findings could be enhanced.

One of the manifestation of scientific inquiry is sample selection procedures, taking this in to consideration, the sample unit included all 3 audit staff members, 30 finance personnel, and 9 management members; a total of 42 samples was drawn from who to collect the necessary information. The respondents were selected via purposive sampling method in which the researcher believed individuals with sufficient knowledge, experience & current role in auditing activity.

The questionnaire items were measured using four point Likert Scale, all the effectiveness items were measured on a 4- point scale (1 = strongly disagree, 2 = disagree, 3 = agree, and 4= strongly agree). The average score for the questions in each factor for each participant was used. The data collected from questionnaires entered in to SPSS software 16<sup>th</sup> version and analyzed by using statistical tools such as percentages& mean.

#### **Dependent and independent variables**

The dependent variable for this specific research is effectiveness of internal audit & corporate governance, whereas the independent variables are four factors: Competence of Internal Auditors, Independence, Organizational Setting, and Top Management Support. All the items four variables

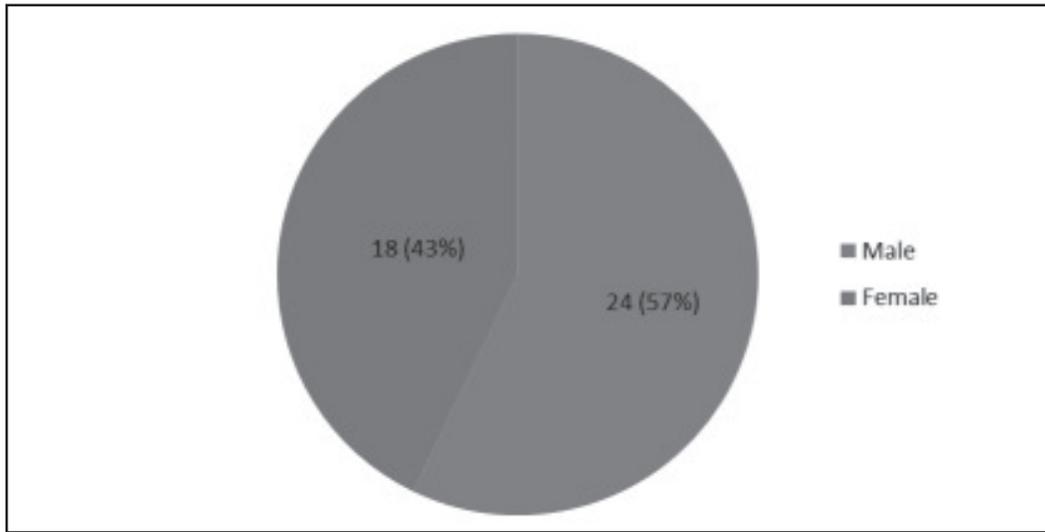
of the independent variables are measured on a 4 point scale: strongly agree (4), agree (3), disagree (2), and strongly disagree (1). According to Likert (1932), expected mean of the responses is two and half (2.5) obtained by dividing the sum of the weights of response categories by the total number of the scale points (i.e.  $4+3+2+1 \div 4$ ). The actual mean of each response was compared with the expected mean and a decision will be made to weight the value of the construct.

#### IV. Data Analysis and Interpretation

##### Figure1 describes the profile of respondents

From the total questionnaires distributed for sample respondents, 42 of them were filled and returned back and with full information, which is the response rate 93.33%. As shown in figure 1 below, 24 (57.14%) of the respondents are males and 18 (42.86%) of them females.

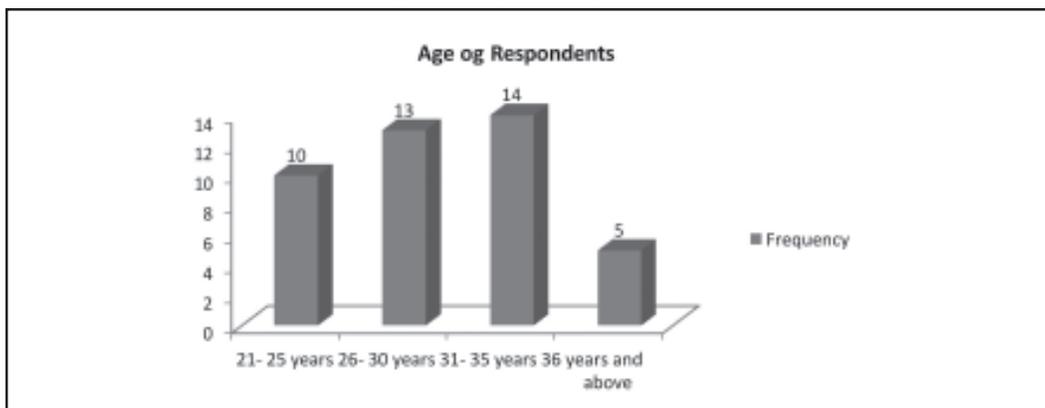
Figure 1: Sex of Respondents



##### Figure2, Age

The figure below shows that 10 of the respondents or 23.81% found in the age group ranging from 21 to 25, while 13 or 30.95% age ranging from 26 to 30, and 14 (33.33%) are from 31-35 age categories. The rest 5 (11.9%) of the respondents were above 36 years and above.

Figure 2: Age of Respondents



## Educational Status of the Respondents

Figure 3: Educational Status of Respondents

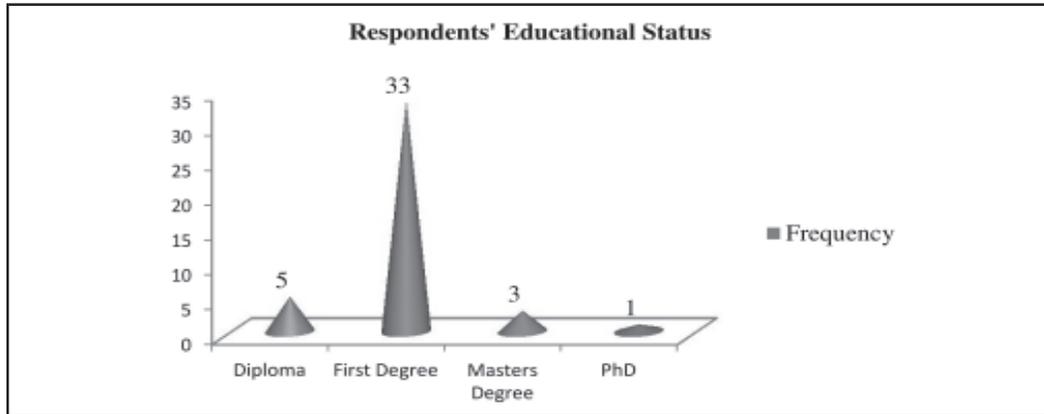


Figure 3 above depicts that 33 (78.57%) of the respondents were First Degree, 3(7.14%) Master's Degree, 1 (2.38%) PhD and the remaining 5(11.9%) of them were diploma holders.

### Analysis of the Factors that Hinder the Effectiveness of Internal Audit

The Internal Audit Manual has been prepared by the Ministry of Finance and Economic Development and is issued under the authority of the Council of Ministers Financial Regulations (No. 17/1997). It gives the Ministry of Finance and Economic Development the power to formulate and distribute directives that detail the Government Financial Policies and to develop and maintain appropriate standards of work and conduct of internal audit for application throughout all public bodies

The manual set the internal audit standards of public bodies and paves the way to modernize the auditing standards in Ethiopian context. The manual is very similar to the Institute of Internal Auditors standards. The standards that was included in the manual were Attribute standards (Responsibility and scope of work, Independence, Relationship with management & others, Staffing training and development) and Performance standards (Auditing strategy and planning, Risk assessment, Audit working papers, audit evidence, Detection, investigation

&reporting of fraud, Quality assurance and follow up on finding and recommendation.

In this case, one way of improving Corporate Governance is to have effective internal audit department. Therefore, the effectiveness of the internal audit unit/department in order to improve Corporate Governance, as stated in the literature review, analyzed on the main four interacting factors like Competence of Internal audit, Independence, Organizational Setting and Management Support. Thus, the researcher solicited the views of the respondents in respect of these areas as follows:

#### Factor 01: Competence of Internal Auditors

As per the data collected from the questionnaire presented on Table 1 below, the mean of all items that were used to evaluate competence of internal audit department except one, the Training element, were below the expected mean 2.5.

In addition to this, as per the university organizational structure, the internal audit has 10 professional members including director. They are organized in to three teams: The Financial Audit, Property Audit and Performance Audit. Each team has three members. But, in this university the internal audit has only 3 staff members represents 30% which is very insignificant. Moreover, except the director they have the experience of less than one year in the department.

**Table 1: Competence of Internal Auditors**

Item		Options of Responses				Total	Mean
		Strongly Agree	Agree	Disagree	Strongly Disagree		
Internal audit staffs have sufficient experience.	Frequency	5	5	13	19	42	1.9
	Percent	11.9	11.9	30.95	45.24	100	
Internal auditors got sufficient training on regular basis.	Frequency	14	11	10	7	42	2.76
	Percent	33.33	26.19	23.81	16.67	100	
Internal audit unit has a competent leadership.	Frequency	8	9	15	10	42	2.35
	Percent	19.04	21.43	35.72	23.81	100	
Internal audit unit is competent regarding application of auditing standards.	Frequency	8	3	17	9	42	2.0
	Percent	19.04	7.14	40.48	21.43	100	
Provides Advisory Service for Management.	Frequency	4	3	20	15	42	1.9
	Percent	9.52	7.14	47.62	35.71	100	
Promoting appropriate ethics and values within the organization	Frequency	9	11	12	10	42	2.45
	Percent	21.43	26.19	28.57	23.81	100	
Evaluation of program and projects by strengthening the capacity of its performance team.	Frequency	-	10	22	12	42	2.04
	Percent	-	23.8	52.38	28.57	100	
Evaluation & Reporting the internal control system.Periodically.	Frequency	12	2	16	12	42	2.33
	Percent	28.57	4.76	38.09	28.57	100	

**Source: Questionnaires, 2019**

The results of the documentary review presented below focused on the annual audit plan, Audit program, Quality Assurance issues and working papers because these documents were considered to evaluate the competence of internal audit. Thus, the results was solicited as follows:

As per the manual of the internal audit, the head of internal audit should prepare the strategic plan, Operational and audit Program. In this case, the internal audit has an operational plan. But, the unit hasn't the strategic plan and audit program. Moreover, operation yearly plan not prepared based on the risk assessment through identifying risk areas that should be covered by audit unit. But, the prepared plan was not considered the potential risky areas. As it stated in the manual of internal audit, To achieve audit objective of

each assignment, it is essential to develop an audit program that provides a means of monitoring the progress and completion of the audit. Moreover, it should state the objective of the audit assignment and document Internal Auditors' procedure for collecting, analyzing, interpreting and documenting information during the audit. But, there was no audit program.

Regarding the audit working papers, the internal auditor should prepare working papers, which provide the principal evidential supports for the audit report, and can demonstrate the internal auditors' compliance with standard of Internal Auditors and support for audit conclusion reached. In the working papers, the Internal Auditor should document the following aspects of the audit process. These are the process of:

- Planning, examination and evaluation of the effectiveness of risk management;
- Control and governance process;
- The auditing procedures performed and the conclusion reached, review, reporting and follow-up.
- Each working paper should be signed, dated and cross-referenced. But, the result of document review shows actually there is audit working paper but not cross referenced.

As per the MOFED manual, the head of Internal Audit should design quality assurance program to provide reasonable assurance for audit assignments conform to all applicable standards and guidelines. Internal audit assignments should be supervised and objectively reviewed for the overall effectiveness and compliance with relevant policies and standards. Supervision, internal and external review should be carried out to maintain the internal auditing department's capabilities to perform its functions in an efficient and effective manner.

Internal reviews should be performed periodically by experienced members of the internal auditing staff to appraise the quality of the audit assignment performed. These reviews should indicate the degree of compliance with the Internal Audit Standards and guidelines and level of the effectiveness and efficiency of the audit assignment. The review should provide recommendations for improvement to be addressed to the Head of the Internal Audit.

Moreover, Ministry of Finance and Economic Development should coordinate an external review of the internal auditing department by persons who are independent of the public body to appraise the quality of the audit assignment. Experienced internal auditor of other public body may carry out external review as a peer-review. These reviews should be conducted within reasonable period of time depending upon the significance of internal review, monitoring and in depth reviews by independent external auditors, and provide recommendations for improvement.

The external review should appraise the independence and objectivity of internal audit, the

efficiency and effectiveness of the approach to formulating the audit strategy and plans, the quality of supervision and achievement of performance standard. A copy of the review report, which will be addressed to the head of the public body, should be submitted to the Ministry of Finance and Economic Development for follow up on the review findings and recommendation. But, the quality assurance system was not implemented.

In Summary, as stated in the Literature Review by IAASB, 2013, auditors are responsible for the quality of individual audits, and should aim to ensure quality audit is consistently performed. A quality audit is likely going to be achieved when auditor's opinion regarding financial statements based on sufficient appropriate audit evidence obtained by team involving sufficiently knowledgeable and experienced auditors, performing the audit work by allocating sufficient time, applying a rigorous audit process and quality control procedures, and providing valuable and timely reports. Based on data analysis, it is reasonable to conclude that the internal audit department of the university is not competent enough to assure the smooth flow of operations within the university.

#### **Factor 2: Analysis of organizational setting**

As it was stated in the Literature Review & Conceptual frame work, Existence of Audit committee & audit charter is a key element in recent years to create conducive working environment for the auditors in such a way to provide Quality audit report for the public interest.

#### **Existence of audit committee**

As per the questionnaires made with the respondents, 42(100%) were answered that Bule Hora University have no audit committee. However, they believed that in order to be effectively contribute to improvement of Corporate Governance It is important to have audit committee in the University, because, the existence of audit committee enhance/protect the independence of the internal audit unit/department. The role of the audit committee as a

key corporate governance system is a considerable interest in recent years. Corporate governance committees and regulatory authorities around the world approached the need for an effective audit committee. They also reflected that audit committee supports the internal audit department and certify that whether internal audit recommendations implemented or not. Since, the existence of audit committee increase the effectiveness of internal audit, we can say that absence of audit committee make internal auditors of the University ineffective.

### Existence of audit charter

Similarly 42(100%) were responded that Bule Hora University doesn't have Audit Charter. As it was stated in the Literature Review And interview made with internal audit director, The internal audit charter is the best way to agree and describe how internal audit will provide value to the organization, the nature of the services it will provide and the specific focus or emphasis required of internal audit to help the organization achieve its objectives. Having an internal audit

charter also establishes the internal audit activity's position within the organization, including the head of internal audit's (HIA) reporting lines, authorizing access to records, personnel, and physical properties relevant to the performance of engagements; and also defining the scope of internal audit activities. It is therefore a reference point for measuring the effectiveness of internal audit. But, currently the audit unit discharges their responsibility only by audit manual.

### Factor 03. Analysis of independence of internal auditors

Organizational independence allows the audit activity performed without interference by the entity under audit. The audit activity should have sufficient independence since it is required for proper auditing to prevail. So that it can both conduct the job perceiving with no interference is important issue, taking in to consideration unrestricted access & freedom of auditors from management, the third factor is analyzed as follows:

**Table 2: Independence of Auditors**

Item	Options of Responses				Total	
	Yes	%	No	%	Frequency	Percentage
Internal Auditors are independent of management in exercising auditing related decision.	27	64.29	15	35.71	42	100
Internal audit unit is empowered to be free access (independent check) of every activity for auditing purpose.	28	66.67	14	33.33	42	100

### Source: Questionnaires, 2019

Regarding the issue of independence, As it was presented on Table 2 above from the questionnaires made with the respondents, 27(64.29%) were replied that the auditors are independent of management in exercising auditing decisions while the rest 15(35.71%) were answered that auditors are not independent of management. Similarly for the questionnaire regarding free access of any document for

auditing purpose, 28(66.67%) responded that auditors were freely access documents for auditing purpose while the rest 14(33.33%) were disagreed.

Moreover, the interview made with the internal audit director with the issue of independence the department agreed what was responded by the questionnaires. Thus, as per the triangulation made of questionnaires and interview the internal audit was independent.

**Factor 4. Analysis of Management Support**

To improve the audit quality in such a way to add a value for the organization to realize the corporate governance top management support for the internal audit is the burning issue. In this regard, as it was stated in the Literature Review

and Conceptual frame work it was evaluated based on allocation of sufficient budget & Timely corrective action on audit finding including external audit finding. Thus, it was analyzed as follows:

**Table 3 .Management Support**

Item	Options of Responses				Total	
	Yes	%	No	%	Frequency	Percentage
The management was committed to allocate sufficient budget for internal audit.	12	28.57	30	71.43	42	100
The management has fully discharged his responsibility by taking timely corrective action on the audit finding.	18	42.86	24	57.14	42	100

**Source: Questionnaires, 2019**

As it was stated in the Literature Review, The audit activity must have sufficient fund relative to the size of its audit responsibilities. This important element should not be left under the control of the organization being audited because the budget impacts the audit activity’s capacity to perform its responsibilities. Thus, as it was presented on Table3 above, from the questionnaires made with respondents regarding the issue of the commitment of management support with regard to allocation of sufficient budget 12(28.57%) were replied that the management was committed to allocate sufficient budget. Whereas the rest 30(71.43%) were responded the management was not committed to allocate sufficient budget.

Similarly, with regard to corrective action on audit finding 18(42.86%) of respondents were responded that management was willing to take corrective action whereas the rest 24(57.14%) were replied the management was not willing to take corrective action on timely basis. In addition to this triangulate the response of the questionnaires the interview made with the internal audit director. He also agreed as the support of the top management was not promising. Thus, we can conclude that the support

of the top management was not promising strengthen the capacity of internal audit to provide service as expected.

**V. Findings**

Based on the analyses of information presented above, the following findings were noted;

- As per the university organizational structure, the internal audit has 10 professional members including director. Moreover, they are organized in to three teams. They Financial Audit, Property and Performance audit. Each team has three members. But, the internal audit has only 3 staff members. Moreover, except the director they have the experience of less than one year in the department. Thus, It would limit the department to provide sufficient service by covering all areas that should covered by audit.
- The Internal Audit Department has low technical staff proficiency. Regarding the concern of the internal audit function, the department doesn’t have strategic plan and Audit program. In addition to that, Quality assurance program was not implemented. Thus, it would limit its capacity to provide effective service to the management.

- As per the standard set by the Institute of Internal Auditors as well as the manual of the Ministry of Finance and Economic Development, The internal audit should provide a properly planned advice for management in order to enable them to take corrective action on time basin the audit finding and designing strong control system to avoid risky move, finally to move the organization forward to clean opinion by having common consensus with the management. But, it was not implemented.
- Internal audit recommendations not get enough attention. Moreover, sufficient budget was not allocated for the department. Thus, unless the management is committed to take timely corrective action on auditing finding and allocate sufficient budget it will tend difficult to provide sufficient service for the university.
- The university lack audit committee and audit charter in its organization structure. Thus, it is difficult for the department to contribute for effective improvement over corporate Governance. This is due to the fact that, the existence of audit committee charter and Audit increase the effectiveness of internal audit.
- Generally, Auditors Competence, Management support & Organizational setting significantly influence audit effectiveness in the university studied.
- In the organization at large. In this case, the management should be committed to solve the problem of human power by recruiting and training competent employees.
- In modern view proper planning enables accomplishment of a large number of audits in a given period by improving efficiency. In this regard, the absence of strategic plan and Audit program would affect the audit performance. Moreover, Internal Audit should design a quality assurance program to provide reasonable assurance that audit assignments conform to all applicable standards and guidelines by implementing both internal and external review procedures.
- The scope of audit functions in recent years is assisting the management in ensuring effective corporate management governance by providing advice by assessing overall status of the organization in such a way to add value for the organization. Therefore, the department should take attention to provide planned advice for the management in order to have common consensus with management to take timely corrective action on audit finding as well to implement strong internal controlling system in such a way to push the organization to clean opinion.
- The management should be committed to take timely corrective action on audit finding and recommendations. Moreover, audit activity must have sufficient funding relative to the size of its audit responsibilities. This important element should not be left under the control of the organization being audited because the budget impacts the audit activity's capacity to perform its responsibilities In summary, unless the management is committed to take timely corrective action on auditing finding and allocate sufficient budget it is impossible to provide sufficient service for the university
- The existence of audit committee and audit charter has contribution for the improvement of Corporate Governance. Since, the internal audit charter is the best way to agree and

## **VI. Conclusion**

As per the finding noted above, the following conclusion is forwarded:

- Auditing is a cornerstone of good public sector governance as it provides unbiased, objective assessments of whether public resources are responsibly and effectively managed to achieve intended results by promoting the appropriate ethics and values within the organization In this case, The quality of audit work greatly depends on the competence of each auditor in particular and

describe how internal audit will provide value to the organization, the nature of the services it will provide and the specific focus or emphasis required of internal audit to help the organization achieve its objective also establishes the internal audit activity's position within the organization. Moreover, the role of the audit committee as a key corporate governance system is a considerable interest in recent years to help the internal auditors regarding the corrective action taken on finding and recommendation as well as on budgetary issues as well. Therefore, the university should work to establish the audit charter & audit committee.

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