ST. MARY’S UNIVERSITY COLLEGE
BUSINESS FACULTY
DEPARTMENT OF ACCOUNTING

AN ASSESSMENT OF INTERNAL AUDITING IN OROMIA ROADS AND TRANSPORT AUTHORITY EXTENSION EDUCATION DIVISION

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JULY 2011
SMUC
ADDIS ABABA
AN ASSESSMENT OF INTERNAL AUDITING IN OROMIA ROADS AND TRANSPORT AUTHORITY EXTENSION EDUCATION DIVISION

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1. What are the problems faced in the implementation of the government accounts system in ORTA?

2. When does the office record Revenue, Expenditure and utility expense?

3. What controlling mechanism the ORTA used for proper utilization of budget?

4. What type of budget used?

5. What are the sources of budget?

6. What are the necessary documents used by the ORTA to prepare monthly finance reports?
SUBMISSION APPROVAL SHEET

This Senior Research paper has been submitted for examination with my approval as an adviser.

Name_____________________________________

Signature____________________________________

Date
DECLARATION

I, the undersigned, declare that this senior essay/project is our original work, prepared under the guidance of Tibebe Sirak. All sources of materials used for the manuscript have been duly acknowledged.

Name_________________________ Signature
1. Senbu Demisse
2. Abebe Yilma

Place of Submission: Accounting Department
Date of Submission: July 2011
CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

Internal auditing is an independent appraisal functions established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities.

Throughout the world internal auditing is being performed in diverse environment and within which vary in purpose, size, structure and objectives. In addition the law and customs within various countries differ from one another. These differences may affect the practice of internal auditing in each environment.

The implementation of internal auditor's practice therefore will be governed by the environment in which the internal audit division carry out its assigned responsibilities. But compliance with the standards is essential before responsibilities of internal auditors can be met.

The internal audit department is an integral part of the organization and of function's under the policies and procedures established by managements and the board. The statement of purpose, authority and responsibility for the internal audit units approved by management and accepted by the board should be consistent with the standards for the professional practice of internal auditing. The statement should make clear the role of internal audit unit, specifically the unrestricted scope of its work.

The internal audit practice is assuming increasing importance as companies expand and accounting and other systems become more complex. An effective internal auditing function can serve as a high level organizational control as well as constructive and protective link between policy - making and operating levels of an organization.

One of the tasks of internal audit may be the evaluation of internal control and the determination of whether they are functioning effectively. Thus, an internal audit function can provide assurance
to management that the broad objectives of internal controls are being achieved. Internal audit encompasses the examination and evaluation of the adequacy and effectiveness of the organizations systems of internal control and the quality of performance in carrying out assigned responsibilities.

The size of many organizations makes it impossible for top management to exercise direct supervision. An ever widening gap is thus created between administrative and operational units. Because of his wide separation between operational and head quarters, it is difficult to form at administrative level true assessments of situation and it is necessary to substitute other investigation for individual's judgment. Management must, therefore, have assurance that the policies and procedures that have been laid down are put in the operation in the way intended. The internal audit unit is used by management to bridge the gap by serving as an independent check on the accounting and other functional and non functional areas of the organization.

http://WWW/ethiopian-internal Auditing)

1.2. Statement of the problem

Since Assessment of Internal Auditing is "the eyes and ears of management", its objective is to assist members of the organization in the effective discharge of their responsibly and furnishes them with analysis, appraisals, recommendations, counsel and information concerning the activities and promoting effective control at reasonable cost. It is important for the Authority to manage its assets properly. Hence it is inevitable to have adequate internal control and internal audit for such large governmental organization. Internal auditors usually assist management in ensuring that there is a proper internal control system in place and that the operation of the authority is operated in effective and efficient manner. It is clear that inadequate internal control can expose the authority to various identifiable risks, such as waste of authority available resource, fraud by employees and lack of control over asset. By not having adequate internal auditing activities, the authority will loss substantial amount of resource and difficulty to achieve its intended objectives.
To this end, this paper had been make an attempt to assess the practice being played by Assessment of Internal Auditing in Oromia Roads and Transport Authority in achieving organizational objectives.

1.3. Research question

In this senior paper the researches are concerned with answering the following stated basic questions.

- What measures taken with the General Accepted Accounting Principle?
- Is the accounting system implemented in accordance with financial manual?
- Does the ORTA has fulfilled and trained accountants to implement the government accounting system?
- How the function of internal audit clean stated in Oromia Roads and Transport Authority?
- What role is played by the internal auditor in improving the performance of an organization?
- Does the internal audit staff review the internal control system of the organization in order to improve its effectiveness?
- How the internal control system does contribute to the success of an organization?

1.4 Objectives of the study

The general objective of this study is to assess internal audit ORTA organization to achieve their intended organizational objectives. As a general objective, this research attempted to look in to the current function of the internal audit of an organizational, namely Oromia Roads and Transport Authority review its role, identify problems, suggest possible solutions and make recommendations.
The specific objectives of our research are to:-

4- To assess the degree of independence of the internal auditor from those whose task they reviewing,

4- To examine the role of internal audit work from the perspective of organizational objective in Oromia Roads and Transport Authority,

4- To identify the scope, extent and timing of test make by internal auditors,

4- Look in to and evaluate the function of the internal audit of the organization,

4- Identify problems, limitations and draw backs of the internal audit,

4- Assess the adequacy of internal auditing procedure,

4- Explain factors that are related to problems of internal auditing,

4- Measure what contributions an internal audit has in improving customer service,

4- Assess the degree of independence of internal audit from the task they are reviewing, i.e. whether they can review and comment on every thing.

1.5. Significance of the study

The significant of the Internal Auditing study is to monitor conformance, to both the documented quality system in operation and subsequently, to the requirements of any standard up on which the system is based.

The Internal Auditing system provides the mechanism for discovering non-conformances within the operating quality management system by:

- Ensuring that appropriate corrective action is planned
- Ensuring that appropriate corrective action is implemented
- Monitoring the effectiveness of the action
Internal audit records from part of the Quality Records maintained by the organization. From these records trends, critical problems, persistent problems and so on, can be identified. Third party assessors (also probably second party assessors) will examine these records. They will be looking to satisfy themselves that the non-conformances identified during internal audits have been cleared and that the internal audits themselves are operating effectively.

The major benefits of this study are:-

> Management’s attention will be a directed to the key business issues-it gives an analysis of weaknesses in the system of control, from which practical recommendations for improvement can be made.

> It leads to positive assurance when controls are operating satisfactorily.

> It identifies opportunities for improved efficiency and effectiveness.

> It gives early notice of potential problems. Management can then take action as necessary.

> It will be allowed the researcher to practice a larger similar study that could be performed in other governmental organization.

> It will enable the managers to be aware of the importance and use Assessment of Internal Auditing in achieving intended objectives.

> It will be used as an additional reference to the existing literatures and can be used by those who wish to conduct a research in the same area.

1.6. Research Design and Mythology

Research Design: - Here the research presented the conceptual structure within which research is conducted. The research was conducted on the performance of the internal auditing of oromia Roads and Transport Authority
The study mainly uses secondary data. Source of secondary data are collected from financial manuals, accounting document, monthly reports which are found in the authority and job descriptions of related materials to make the research complete.

This section discusses the methods and techniques used by the student researchers in conducting this study. Here the sources and methods of data collection, research design and analysis method are discussed.

The researches presented the conceptual structure within which research is conducted. The research was conducted on the performance of the internal auditing of Oromia Roads and Transport Authority.

The research is a case study, which basically designed to examine the practice of internal audit. There are various methods of data collection such as questioners, interviewers and analysis of relevant documents such as Books, Internet and other related material to make the research complete.

And informal discussion is conducted in order to understand the circumstance underlying report and to get in depth investigation of the problem.

1.7. Scope of the Study

The scope of the study is limited to emphasize only with the Assessment of Internal Auditing in the governmental organization, particularly in Oromia Roads and Transport Authority and describe the wider practice of internal audit as an assistant to management and the board.

1.8. Limitation of the Study

The finding of this study will be more fruitful if it is conducted widely, however, due to time and financial constraints; it is out of the reach of the researcher to incorporate all or most of governmental organization in the study. The result of this study wholly based on the extent that Oromia Roads and Transport Authority has a good understanding and evaluation of the Assessment of Internal Auditing.
1.9. **Organization of the Study**

The study is composed of four chapters, the first chapter deals with introduction parts. The second chapter deals with review of related literature. Chapter three discusses data presentation, analyses and interpretation and the last chapter is concerned with summary, conclusion and recommendation of the research finding.
CHAPTER TWO

LITERATURE REVIEW

2. Internal Auditing in Ethiopia

History of the development of internal auditing in Ethiopia dates back to about the middle of the 1940's. Just about the time when internal audit was evolving as an organized profession in the United States. Internal audit in Ethiopia has its early legislative root in the constitution of 1931 which authorized the establishment of an Audit commission' articles 34 and the audit commission itself was established much later by proclamation 69/1952 to audit the accounts of the ministry of finance.

The period of the early 1950's marked the introduction of budgetary systems in government. The announcement of an annual public budget in 1955 for the first time in the history of the country ushered in a system of financial administration based on the annual budget with all its attendant requirements for strengthened internal control in budgetary agencies. This entailed the formation of internal audit as an integral part of the budgetary internal control system. Presently, government has taken the initiative to improve some enumerated weaknesses and to recognize and strengthen the internal auditing practice both in private and public sector enterprises. To this effect, not only government did provide for the necessary framework by the financial administration proclamation of the federal government (proclamation 57/1996) and the council of ministers regulation (regulation No. 17/1997) as well as directives issued by ministry of finance and economic development but also taking a measure to recognize and strengthens internal auditing in these organizations (Ministry of finance and economic development manual, 1992).

The reality is that internal auditing today still focuses on traditional activities, such as financial and compliance auditing. Less attention is given to operational audits or the application of modern techniques like flowcharting, statistical sampling, and computer auditing. Internal auditors often must solve day-to-day problems both at the head offices and in branches. However, they spend
most of their time ensuring that accounting records are properly maintained and reliable; that the
assets of the enterprises are adequately safeguarded and properly maintained, and that the
organizations is in compliance with established policies and procedures. (Ministry of finance and
economic development manual, 1992)

2.1. Theoretical Background in Assessment of Internal Auditing

What is an Audit?

The internal audit function is the mechanism through which the operation of the quality
management system is formally monitored and conformance with the document quality system is
assured. Audits are carried out by auditors selected from within the company but who are
independent of the area, function or procedure being audited.

Internal audits are the mechanism through which information about the effectiveness of the quality
system is gathered. The purpose of the audit function is to verify, or otherwise, conformance of
practice with the documented quality system and with the requirements of the standard.

Very often this is seen as a policing function, so great care must be taken to promote the audit as a
positive contribution to improvement. The nature of audits, of course, makes this difficult-
recording non-conformances appears to be quite negative. However, where an effort is made to
note positive aspects the overhead in time seems to be unsupportable. In other words, it is
probably not practical (although it is not impossible) to introduce positive auditing. Some people
do positively welcome audits as a rare opportunity to show off their day-to-day activities and have
their successes visibly reported to management. Modern Internal Auditing, 5th Edition,
Britain

Types of Audit

Internal and External Audits

There are three different types of audit:

First party audits
Second party audits

Third party audits

The first party audit is the mechanism by which the company monitors adherence to the documented quality system. It carries little weight externally, except as confirmation that the quality management system is operating correctly. Its benefit is to the company. It provides objective data used to highlight the potential for improvement and a basis on which to plan improvements. The audits are carried out by people who understand both the company and its activities.

Second party audits are usually performed by the customer, or a representative of the customer, when the customer needs to establish confidence in the processes contributing to a particular product or service.

Third party audits are performed by agencies, independent of both customer and supplier, recognised as competent to assess quality management systems against a standard. In recognition of meeting the requirement of the standard, the supplier will achieve certification to the standard. Certification has the benefit of reducing, if not completely removing, the need to perform second party audits.

The Basic Approaches to auditing:

Within these three types of audits, there are two approaches that auditors can take:

- Vertical auditing
- Horizontal auditing

Vertical audits look, in depth, at a particular function or department. This type of audit would monitor the use of all relevant procedures as they are used to support the function or activity. Internal audits are usually vertical audits.

Horizontal audits follow a process from start to end. This type of audit would look at procedures as they support the process itself and is likely to span many different functions or departments.
Audits or assessments leading to certification are likely to be horizontal. (Internal Quality Audits Issue 2 31 July 1996)

This part of the study reviews role of internal auditing, the needs for independence, and the scope and objectives of work performed by internal auditors. It also reviews the professional proficiency required from internal audit staff in order to carry out its proficiency required from internal audit staff in order to carry out its responsibilities. As far as the study is considered, the comprehensive documentation and audit report to make clear the functional role played by the internal auditors and their audit activities to achieve the overall organization objectives.

Internal auditing is defined as "an independent appraisal function established within an organization to examine and evaluate its activities as service to the organization. The objective of internal auditing is to assist the members of the organization in the effective discharge of responsibilities. To these end internal auditing furnishes them with analysis, appraisal, recommend, counsel and information concerning the activity reviewed"(Atikinson, 1986, p.4)

Historical evidences in relation with internal audit reveal that ancient kings and rich noblemen where appointed some of their trusted officials to exercise checks on the people whom they put in charge of collecting and safeguarding revenue from their estates and to report to them in the events of any irregularities. In spite of its earlier existence, internal auditing did not emerge as a recognized field of professional practice until 1940 when two factors influenced its development as a distinguished profession. In the first place, the rapid development and sophistication of business, government services and the development of statutory audit brought about strengthened demand on management and board to ensure that assets are properly safeguarded as results are consistent with established objectives; program and operational goals are achieved as planned.

The second factor, which becomes a strong force in the development of internal auditing profession, is the establishment of the Institute of Internal Auditing (IIA) in 1941 in New York.

In many organizations internal auditing as a formal staff activity play a significant role in safeguarding of asset? The overall situation, however, reflect major progress in the scope and level of service in the individual areas. As a result, senior management and the board increased their reliance of internal audit to improve the organization’s operation and to systematically evaluate
organizational risk, control and governance processed which are essential factor in the achievement of objectives. (Atkinson, 1986)

The basis of a successful internal audit department of unit is a carefully selected staff. Internal auditing requires not only technical competence in accounting system and auditing but also the ability to prepare reports and deals fairly and harmoniously with staff at all levels of the organization. However, it has to be decided where the department is to be located.

The necessary elements of an internal audit department are the ability to set down, the auditor opinion on every aspect of the organization both in private and public sector without bias and fear, to arrange the audit work as to cover any areas of the business without requiring specific permission, communicate its work performed during its auditing activities, to deliver report to all appropriate levels of management and to communicate its work performed during its auditing activities,(Bigg and Davies, 1980)

The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibility. To this end, internal auditing furnishes them with analysis. Appraisals, recommendations, counsel and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost.

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of organization system of internal control and the quality of performance in carryout assigned responsibility.

The scope of internal auditing includes: Reviewing the reliability and integrity of financial and operating information and the means used to identify measures, classify, and report such information. Reviewing the system established to ensure compliance with those policies, plans, and laws procedures and regulations which could have a significant impact on operation and reports.

The authority of most internal audit department is spelled out in a mandate of charter, which outlines their role which the organization. It is approved by management and accepted by the boards of directors as the charter that gives the audit unit the power to conduct audit, access all
records and personnel in the organization, report to management and obtain responses to observation from management.

2.2. Functional role Assessment of Internal Auditing

The primary role of internal audit is to provide assurance about financial and non-financial information and mechanisms for control. It also reviews and appraises the soundness, adequacy and application of accounting finance and other operating activates and recommending effective control and ascertaining the extent of compliance with established policies law and procedures. In order to do it in a professional and independent fashion internal audit unit should be kept distinct from other functional engaged in analyzing and reporting performance. The other functional group is primarily concerned with day - to -day maintenance of the internal control for data processing. Where as the internal auditors are interested in evaluation the over all efficiency of data processing operation and the effectiveness of internal control (Big and Davies, 1980 . P3)

The internal auditors should participate in the design of the data processing system to ensure that the system provides a proper audit trial and includes adequate internal controls. Once the system becomes operative, internal auditor reviews all aspects of the system, on a test basis, to determine that prescribed internal control are operating as planned. It is important to recognize that internal audit is not a substitute for effective internal control rather it establish to contribute to internal control by examining evaluating and reporting to management and the board on its adequacy and effectiveness. Internal audit activity may lead to strengthening of internal control as a result of management response to finding. (Atkinson, 1983.P4)

Internal auditing is often described as a control which functions by examining and evaluating the adequacy and effectiveness of other controls. A major part of the management process has to do with control. The internal auditor is especially able to provide the board and management with assistance in the control areas. The basis for this special capability to a major extent comes from the fact that the internal auditor is independence of all operational activities. The internal auditor also possesses the capabilities for analysis and good business sense which are necessary to appraise the effectiveness of control. The internal auditor additionally has the distinct advantage of being able to approach the various problems through the basic finance records.
In actual practices control are developed and administered in terms of individual operational situations. The idea of internal auditing as a control probably needs to be more clearly acknowledged by the profession since it accounts so much work being done by internal auditing today. (G.Courtmanche, 1985)

In addition to other operational functions they may have involved in risk management. Risk management should be embedded with the organization through the strategy and budget processes. The same clear definition is also required for those involved in the audit and review of internal controls and facilitating the risk management process. The role of internal audit is likely to differ from one organization to another. In practice, internal audit role may focusing the internal audit work on the significant risks, as identified by management and auditing the risk management processes across an organization and providing assurance on the management of risk, providing active support and involvement in the risk management process, facilitating risk identification/assessment and educating line staff in risk management and internal control and coordinating risk reporting the board, audit committee. (Bigg and Davies, 1980)

The internal audit activity should be independent and internal auditor should be objective in performing their work. Internal auditors should be independent of the activities they audit. Internal auditors are independent when they can carry out their work freely and objectively. Objectivity also requires that internal auditors have an independent mental attitude and honest belief in their work product. (Atkinson, 1983.P4)

2.3. General and Specific Objectives

2.3.1. Objectives of internal control system

Internal controls are a company's system, defined and implemented under its responsibility, which aims to ensure that:-

- Laws and regulations are complied with;

- The instructions and directional guidelines fixed by Executive Management or the Management Board are applied;
The company’s internal processes are functioning correctly those implicating the security of its assets;

Financial information is reliable; and generally, contributes to the control over its activities, to the efficiency of its operations and to the efficient utilisation of its resources. By helping to anticipate and control the risks involved in not meeting the objectives the company has set for itself, the internal control system plays a key role in conducting and monitoring its various activities.

Internal controls are techniques employed by managers to ensure that specific control objectives are continuously met. Controls can be implemented to protect anything of value to a company's economic performance or continued sustainability. Common objectives of internal controls include the propriety of transactions, reliability of information, and compliance with regulations, security and efficiency.

2.3.2. Components of internal control system

Executive Management or the Management Board conceives the internal control systems. This system has to be appropriately communicated so as to ensure implementation by staff.

The level of involvement of Boards of Director or Supervisory Boards with regards to internal control varies from one company to another. It is up to Executive Management or the Management Board to inform the Board (or its audit committee when there is one) of the main features of the internal control systems. If the need arises, the Board can exercise its general powers to subsequently have the controls and verifications it deems appropriate performed or take any other steps it considers suitable in the circumstances.

Internal control will be that much more relevant if it is based on rules of conduct and integrity upheld by the governance bodies and communicated to all staff. In no way can it be reduced to a purely formal system with serious breaches ethics taking place on the sidelines.

The internal control system consists of five closely related components. Although these components apply to all companies, the way are implemented will vary depending on the size and the business sector of companies.(http://www.internalaudit.biz)
1. Control environment

The implementation of an internal control system must be based on fundamental principles but also on:

- A suitable organization which provides the framework in which the activities implicit in meeting the objectives are planned, carried out, followed up and controlled,

- Clearly defined responsibilities and powers which are granted to the right people depending on the company’s objectives. They can be formalised and communicated by means of means of task or job descriptions, operating and functional line organization charts, delegation of powers, and should respect the principle of the segregation of duties,

- A human resource management policy which should enable people to be recruited with appropriate knowledge and competencies required to carry out their responsibility and to meet the current and future objectives of the company.

2. Risk Assessment

The company identifies the main identifiable risks, both internal and external, which could have an impact on the likelihood of it meeting the objectives it has fixed for itself. This identification process, which is on-going, should cover those risks which could have a significant impact on its situation. This involves taking into consideration the likelihood of the risks occurring and their potential seriousness, as well as considering the environment and existing control measures. These different elements are not static, on the contrary, they form part of the risk management process. Executive Management or the Management Board, supported by a risk management function, if there is one, should define risk management procedures. (http://www.internalaludit.biz)
3. Control activities

Control activities proportionate to the implications of each individual process and designed to ensure that the appropriate measure are taken in order to control the risks that could affect the company's ability to achieve its objectives.

Control activities can be found everywhere in the organization, at every level, and in every function, be they controls focusing on prevention or detection, manual or computerised controls, or controls by virtue of the reporting structure. In any event, control activities are determined in the light of the nature of the objectives with which they are associated and are proportionate to the implications of each process. In this context, particular attention should be paid to the controls over the processes involved in designing and running information systems.

4. Information and Communication

Information and communication system which are adapted to the current objectives of the organization and designed to be able to respond to its future objectives. The IT systems on which these information systems depend must be effectively protected, both in terms of physical and logical security, thereby ensuring that there is no loss of the information stored. Their operational continuity is guaranteed by back-up procedures. The information on the analyses, the programming and processing functionalities must be documented;

Operating procedures or methods which specify the way an action or process should be carried out (objectives to be achieved within a given time-frame, definitions of functions and operating/reporting lines, policy framework, decision-making and assessment tools, control frequency, person responsible for the control,...), regardless of their format and type of support aid.

The company should employ processes which ensure that all relevant and reliable information is communicated in a timely manner to all relevant players within the company, thereby enabling them to exercise their responsibilities.
5. Monitoring

On-going monitoring of internal control system together with a regular review of the way it is operating. As for any system, the internal system requires on-going monitoring. The aim is to check it’s relevant and appropriateness to the company’s objectives.

Implemented by management and steered by the Executive Management or the Management Board this monitoring principally comprises the analyses of the main incidents that have been recorded, the result of the controls performed, together with the work carried out by the internal audit team, when there is one. This monitoring also takes into consideration the observations made by the statutory auditors and by regulatory oversight bodies.

Another useful complement to the monitoring tools can be to keep an active watch on internal control best practices. Monitoring, together with the best practices watch, culminate, where required, in the implementation of corrective actions and adjustments to the internal control system. (http:/www. internalaludit. biz)

2.4. Individual Objectivity

Internal auditors should have an impartial, unbiased attitude and avoid conflict of interest. In complying with the standards or evaluating individual objectively, auditors are expected to consider that they should maintain an independent mental attitude in performing their audit work, the principle of objectively dictates that internal auditors perform their audit work in such a way that they have honest belief their work product and that no material quality compromise are made and internal audit unit ought to carryout staff assignments in such a way that potential and actual conflicts of interest and bias are avoided. In order to do this internal audit needs should rotate assignments of auditors when ever practicable to do so, and internal auditors should report the offer all material gift or free immediately to their supervision form and employee, client , customer or a business associate, if any. (G.Braithwaite, 1989)
2.5. Barriers on Assessment of Internal Auditing

2.5.1 Conflicting Goals

Management and auditor, one of the most common barriers to successful audit results is the internal auditor's lack of understanding of management goals and ensuring one side negative statement in the form of observations, destroying any possible trust and understanding between them.

2.5.2. Absence of full range of technical competence

The absence of some form of legal requirement for technical competence has put internal auditing in jeopardy. A professional designation is one of the basic requirements for success in conducting comprehensive audits. Areas that could be affected by the absence of technical competence are morale in the audit staff, the conclusion drawn, making decisions, and corporate objective at whole.

2.5.3. Neglect of the most important phase of the audit

A third barrier to successful internal audit is the little analysis found in the observations focused on easily identifiable areas alone. This neglect had been the direct cause for audit failure. Where analysis is missing it is difficult to see interrelationship among observations and impact that all observations have on the corporate entity.

2.5.4. Neglect of the fundamentals of communication

The fourth barrier is neglected to communicate clearly with the entity audited. Poor communication of audit results has caused the down fail of some audit and led to a negative misconception about auditors. (Martin Barifo, 2003)
2.6. Documentation

In most disciplines, good documentation is almost as important as good practical work. In the field of audit, documentation assumes an over greater degree of importance. The most thorough of audits, if not supported by detailed, accurate and comprehensive documentation, is of little practical value. The very nature of audit work often involving the criticism of the work of other, to counter act this the auditor must record his/her work and finding in such a manner as to provide evidential support for his/her recommendations.

Important aspects of documentation include a description transaction, written approval authorizing the transaction and the written evidence that any necessary subsequent steps, such as comparison to other documents and checking clerical accuracy and coding, were performed. Ways of recording the above activities performed through audit program a list of audit activities to be carried out, working papers, which is a record of all work done during an audit, audit reports, audit files which contains permanent information needed at each audit and current files, which contains all the working paper and reports relating to the current audit, and system records which are permanent information that form a record of the major system of internal control when used a computer based information processing system (Atkinson, 1983. P5)

2.7. Audit Reports

Internal auditors typically issue reports at the end of each audit that summarize their findings, recommendations, and any responses or action plans from management. An audit report may have an executive summary; a body that includes that specific issues or findings identified and related recommendations or action plans; and appendix information such as detailed graphs and charts or process information. Each audit finding within the body of the report may contain five elements, sometimes “5 C”.

1. Condition: - What is the particular problem identified?
2. Criteria: - What is the standard that was not met? The standard may be a company policy or other benchmark.
3. Cause: - Way did the problem occur?
4. Consequence: - What is the risk/negative outcome (or opportunity foregone) because of the findings?

5. Corrective action: - What should Management do about the finding? What have they agreed to do and by when?

The recommendations in an internal audit report are designed to help the organization achieve its goals, which may relate to operations, financial reporting or legal/regulatory compliance. They may relate to effectiveness (i.e., whether goals were met or compliance with standards was achieved) or efficiency (i.e., whether the outputs were generated with minimum inputs).

Audit findings and recommendations also relate to particular assertions about transactions, such as whether the transactions audited were valid or authorized, completely processed, accurately valued, processed in the correct time period, and properly disclosed in financial or operational reporting, among other elements. Issues typically have a reasonable likelihood of causing substantial financial or reputation damage to the company. For particularly complex issues, the responsible manager may participate in the discussion. Such reporting is critical to ensure the function is respected, that the proper “tone at the top” exists in the organization, and to expedite resolution of such issues. It is a matter of considerable judgment to select appropriate issues for the Audit Committee’s attention and to describe them in the proper context.

The Chief Audit Executive typically reports the most critical issues to the audit Committee quarterly, along with management’s progress towards resolving them. Critical

2.7.1. Introductory

The purpose of introductory paragraph is to provide the reader to understand and accept what is contained in the main body and in the conclusion. It includes letter of transmittal, report title, table of contents and background, objective and scope.

2.7.2. Main Body

Refers to audit report section where the finding are discussed and principal work is performed.
2.7.3. Conclusion

It refers to the auditor over all opinion of the area reviewed or judgment drawn from the specific findings in the main body. The name and designation of the persons signing the report, together the date of issue should be typed at the foot there of. (Martin Barifo, 2003)

2.8. Objective of Internal Auditing

According to Alvin A. Areas and others are seven objectives for internal auditing which is applied to every material type transaction in the control to provide reasonable assurance.

2.8.1 Independence and objectivity

The internal audit activity should be independent and internal auditor should be objective in performing their work. Internal auditors should be independent of the activities they audit. Internal auditors are independent when they can carryout their work freely and objectively. Objectivity also requires that internal auditors have an independent mental attitude and hones belief in their work product.

2.9. The scope of internal Auditing

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of organization systems of internal auditing and the quality of performance in layout assigned responsibility. The scope of internal auditing includes:

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

Reviewing the system established to ensure compliance with those policies, plans, laws procedures and regulations which could have a significant impact on operation and reports. (The Role of Internal Audit in Ethiopian, 1996)
2.9.1. Organization of internal auditing

The basis of a successful internal audit department of unit is a carefully selected staff. Internal auditing requires not only technical competence in accounting system and auditing but also the ability to prepare reports and deals fairly and harmoniously with staff at all levels of the organization. However it has to be decided where the department is to be located.

The necessary elements of an internal audit department are the ability to set down, the auditor opinion on every aspect of the organization both in private and public sector without bias and fear, to arrange the audit work as to cover any areas of the business without requiring specific permission, communicate its work performed during its auditing activities, to deliver report to all appropriate levels of management and to communicate its work performed during its auditing activities,(Bigg and Davies, 1980)

2.9.2. Functional role of internal audit

The primary role of internal audit is to provide assurance about financial and non-financial information and mechanisms for control. It also reviews and appraises the soundness, adequacy and application of accounting finance and other operating activates and recommending effective control and ascertaining the extent of compliance with established policies law and procedures. In order to do it in a professional and independent fashion internal audit unit should be kept distinct form other functional engaged in analyzing and reporting performance. The other functional group is primarily concerned with day - to - day maintenance of the internal control for data processing. Where as the internal auditors are interested in evaluation the over all efficiency of data processing operation and the effectiveness of internal control.

The internal auditors should participate in the design of the data processing system to ensure that the system provides a proper audit trial and includes adequate internal controls. Once the system becomes operative, internal auditor reviews all aspects of the system, on a test basis, to determine that prescribed internal control are operating as planned. It is important to recognize that internal audit is not a substitute for effective internal control rather it establish to contribute to internal control by examining evaluating and reporting to management and the board on its adequacy and
effectiveness. Internal audit activity may lead to strengthening of internal control as a result of management response to finding. (www.bitwise.net/iawww)

2.9.3. Internal auditing role in control

Internal auditing is often described as a control which functions by examining and evaluating the adequacy and effectiveness of other controls. A major part of the management process has to do with control. The internal auditor is especially able to provide the board and management with assistance in the control areas. The basis for this special capability to a major extent comes from the fact that the internal auditor is independence of all operational activities. The internal auditor also possesses the capabilities for analysis and good business sense which are necessary to appraise the effectiveness of control. The internal auditor additionally has the distinct advantage of being able to approach the various problems through the basic finance records.

In actual practices control are developed and administered in terms of individual operational situations. The idea of internal auditing as a control probably needs to be more clearly acknowledged by the profession since it accounts so much work being done by internal auditing today.

2.9.4. Role of internal audit in risk management

In addition to other operational functions they may have involved in risk management. Risk management should be embedded with the organization through the strategy and budget processes. The same clear definition is also required for those involved in the audit and review of internal controls and facilitating the risk management process. The role of internal audit is likely to differ form one organization to another. In practice, internal audit role may include the following:

- focusing the internal audit work on the significant risks, as identified by management and auditing the risk management processes across an organization
- providing assurance on the management of risk
- providing active support and involvement in the risk management process
- facilitating risk identification/assessment and educating line staff in risk management and internal control
- Coordinating risk reporting the board, audit committee.

2.9.5. Segregation and rotation of duties

The work involved in transaction is allocated to different person in such a manner that either the work of one person is complement to the work of another person, or the accuracy or correctness of work performed by one person independent checked by another person. Such a system of segregation of duties is generally known as internal check. Internal checks operate as a part of normal processing of transactions. The purpose of instituting internal checks is to minimize the occurrence of errors and fraud, to detect them in a timely manner when they take place. The functions that are usually segregation in a system of internal check are authorization of transactions execution of transaction physical custody of related assets and maintenance of records and documents.

It is also desirable to rotate the duties of various personnel periodically. The rotation of duties to ensure that if a fraud or error is committed by person or it does not remain undetected for long.

It also seeks to ensure that a person can not develop vested interest by holding a position for very long. In any case system of rotation of duties it self acts as a internal check against frauds and error.

2.9.6. Authorization of transaction

The management of an organization delegates authority to different levels and to particular person in the organization to execute specified kinds of transactions in accorders with the prescribed conditions.
2.9.7. Maintains of Adequate Records and Accounts

Accounting control should ensure that transactions are recorded at correct amounts and in the accounts periods in which they are executed and that they are classified in appropriate accounts.

2.9.8. Accountability for and safeguarding of Assets

One of the objectives of accounting controls is to provide assurance that accountability for assets is maintained and assets and safeguarded from unauthorized access use or disposal.

2.9.9. Independent checks on performance

In depend checks of performance involve a periodic or regular review of functioning of the system by independent persons to ascertain whether the control procedures are being performed properly.

It involves a review of the following five areas:

a) Reliability and integrity of information

b) Compliance with policies, plans, procedures, laws and regulates.

c) Safe guarding of assets

d) Economy and efficiency in the use of resource

e) Accomplishment of established objectives and goals for operation and performance.

2.9.10. The Internal Audit Process

Every successful audit is based on sound planning and an atmosphere of constructive involvement and communication between the client and the auditor. I see quite a few audit organizations that include a web-based explanation to their clients how the audit process works. The purpose of providing this page is for those audit organizations that have not explained to their clients how, in general, the audit process works. It also is designed to provide a resource for sharing tools and techniques for each of the distinct phases of the audit process
2.9.11. Audit Process

Although every audit project is unique, the audit process is similar for most engagements and normally consists of four stages: Planning (sometimes called Survey or Preliminary Review), Fieldwork, Audit Report, and Follow-up Review. Client involvement is critical at each stage of the audit process. As in any special project, an audit results in a certain amount of time being diverted from your department’s usual routine. One of the key objectives is to minimize this time and avoid disrupting ongoing activities.

2.9.12. Planning

During the planning portion of the audit, the auditor notifies the client of the audit, discusses the scope and objectives of the examination in a formal meeting with organization management, gathers information on important processes, evaluates existing controls, and plans the remaining audit steps.

2.9.13. Announcement Letter

The client is informed of the audit through an announcement or engagement letter from the internal audit director. This letter communicates the scope and objectives of the audit, the auditors assigned to the project and other relevant information.

2.9.14. Initial Meeting

During this opening conference meeting, the client describes the unit or system to be reviewed, the organization, available resources (personnel, facilities, equipment, funds), and other relevant information. The internal auditor meets with the senior officer directly responsible for the unit under review and any staff members she or he wishes to include. It is important that the client identify issues or areas of special concern that should be addressed.
2.9.15. Preliminary Survey

In this phase the auditor gathers relevant information about the unit in order to obtain a general overview of operations. She or he talks with key personnel and reviews reports, files, and other sources of information.

2.9.16. Internal Control Review

The auditor will review the unit's internal control structure, a process which is usually time-consuming. In doing this, the auditor uses a variety of tools and techniques to gather and analyze information about the operation. The review of internal controls helps the auditor determine the areas of highest risk and design tests to be performed in the fieldwork section.

2.9.17. Fieldwork

The fieldwork concentrates on transaction testing and informal communications. It is during this phase that the auditor determines whether the controls identified during the preliminary review are operating properly and in the manner described by the client. The fieldwork stage concludes with a list of significant findings from which the auditor will prepare a draft of the audit report.

2.9.18. Exit Conference

When audit management has approved the discussion draft, Internal Audit meets with the unit's management team to discuss the findings, recommendations, and text of the draft. At this meeting, the client comments on the draft and group works to reach an agreement on the audit findings.

2.9.19. Formal Draft

The auditor then prepares a formal draft, taking in to account any revisions resulting from the exit conference and other discussions. When the changes have been reviewed by audit management and the client, the final report is issued.
2.9.20. Final Report

Internal Audit prints and distributes the final report to the unit's operating management, the unit’s reporting supervisor, the Vice President for Administration, the University Chief Accountant, and other appropriate members of senior University Management. This report is primarily for internal University management use. The approval of the Internal audit Director is required for release of the report outside of the University.

2.9.21. Client Response

The client has the opportunity to respond to the audit findings prior to issuance of the final report which can be included or attached to our final report. However, if the client decides to respond after we issue the report, the first page of the final report is a letter requesting the client’s written response to the report recommendation.

In the response, the client should explain how report findings will be resolved and include an implementation timetable. In some cases, managers may choose to respond with a decision not to implement an audit recommendation and to accept the risks associated with an audit finding. The client should copy the response to all recipients of the final report if she or he decides not to have their response included/attached to Internal Audit's final report.

2.9.22. Client Comments

Finally, as part of Internal Audit's self-evaluation program, we ask clients to comment on Internal Audit's performance. This feedback has proven to be very beneficial to us, and we have made changes in our procedures as a result of clients’ suggestions. (http://w.w.w.auditnet.org/process)
Chapter Three

3.1 Data presentation and analyses.

3.1.1 Back Ground of Oromia Roads and Transport Authority

Oromia Roads Authority (ORA) is a governmental organization it was established in July 1986 E.C. as an independent authority to carry out construction and maintenances of rural roads in Oromia National Regional State and Oromia Transport Authority is also governmental organizations it was established in 1985 E.C. The purpose of transportation system is to coordinate the movement of people, goods and vehicles in order to utilize routes most efficiently. When implemented, transportation systems seek to reduce transport costs and improve delivery times through effective timetabling and route management. Periodic re-evaluations and the development of alternative routes allow for timely changes to the transportation system in order to maintain efficiency.

Oromia Roads Authority and Oromia Transport Authority are merged in October 01/02/2003 E.C. and called “Oromia Roads and Transport Authority”. ORTA have 783 employees. Its Head Office is located in Cherqos sub city around “Sarbet”. ORTA works for distribution of roads and transports in region by identifying rural area with no roads and transport access.

3.1.2 Organizational Structure of ORTA

The organizational structure of ORTA contains sixteen divisions. These are: - Legal Service, Audit Service, Planning and Programming, Administration, Public Relation, Finance Section, Deputy Manager of Contract Administer, Net work and Maintenance, Deputy Manger of Transport, Derivers Proficiency Assurance Process, Traffic Assurance Process, Service Delivery Assurance Process, Vehicle Proficiency Assurance Process, Zonal Transport Office and Wereda Transport Office. All these divisions are directly accountable for the General Manager. The general accounts and cost and inventory departments are responsible for finance section. Audit service is one of the divisions of the organizational structure of ORTA. It provides consultancy service to management.
Organizational Structure of Oromia Roads and Transport Authority

Source: - From Oromia Roads and Transport Authority Organizational Structure Manual
3.1.3. Internal auditing department in ORTA

Internal auditing department in ORTA is established to carry out responsibility and independency, objective assurance and consulting activity designed to add value and improve the authorities operation. Internal auditing department helps the authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

In this department, there is a head of internal auditing, two senior auditors, both of them have BA degree in the field of accounting and they have more than 10 years experience of auditing. And also there are two junior auditors who have advanced diploma in accounting and have 3 to 5 years experience in auditing.

The responsibility of head of internal auditors is to design a quality assurance program to provide reasonable assurance that audit assignments conform to all applicable standards and guidelines. He supervises the auditors while performing the assigned work on a given time and also review and approve the finding of each auditor. The responsibilities of internal auditors should develop and record a plan for each engagement, communicate results, and monitoring progress. The internal auditors are also responsible for establishing objectives that include planning and performing a scope of work which provides a reasonable base for reporting on the extent of policies, plans, procedures laws and regulations, which was prepared by the ministry of finance and economic development.

3.1.4. Planning Engagement and Reporting

For every audit assignment a detail plan of work is prepared. The plan is establish detail objective of the assignment, resources requirement, outputs, target dates and other issues. The objective of audit plan in ORTA is to implement the strategy by detailing it further within the period (a year). It also puts emphasis on resource allocation.

In planning the engagement, internal auditors in ORTA consider, first the objective of the activity being reviewed and the means by which the activity control its performance, secondly they assess the significance of risks to the activity and its objective, resource and operations and the means by
which the potential impact of risks is kept on an acceptable level, thirdly check the adequacy, effectiveness of the activities and risk management compared to relevant control frame work.

Engagement objective are broad statements developed by the internal auditors of the authority and define what the engagement is intended to accomplish. Engagement procedures are the means to attain engagement objective and procedure taken together, define the scope of internal auditors work.

Activities covered by an internal auditor in ORTA are:-

S Ensuring that collection and payment of cash are made on legal receipt and payment vouchers respectively.
S Ascertaining that cash collected by the authority is deposited intact to bank in a timely manner
S Ensuring that imp rest system is established
S Ascertaining that every cash and bank transactions is properly registered in the book of accounts
S Ensuring that cash is properly safeguarded and compliance with laws, regulations, directives and also
S Ensuring segregation of duty.
S They check the accuracy of budget transfer and disposal of property.

In relation with stock they conduct walk through test of issue, receipt, record and count of stocks. Ascertain that all fixed assets of the authority were registered and also to check the existence of all registered fixed assets. In the area of payroll auditing, they focus on payroll sheet, attendance sheet and personal file of the employees. In examining the expenditure of the authority the internal auditors checks the verification of payment documents.

Internal auditors in ORTA report their findings and recommendations in a formal way that is in a quarterly base on management meeting. A value of auditing can be judged by the quality relevance, timeliness, reliability of audit findings and the deterrent effect that audit creates.
3.1.5. SCOPE OF INTERNAL AUDIT IN ORTA

3.1.5.1. Audit of Cash, Bank Account and Petty Cash

Of all assets, cash is the most susceptible to misappropriation, theft and loss. It follows the control mechanism established, for the proper monitoring and custody of cash has to be carefully designed.

When we try to see internal control system of cash of the authority there is no enough and adequately trained employee in the management and control of cash, they are assigned without appropriate skill and document and they perform the work only by experience.

The authority internal audit manual establish a system that the duty of one person is checked by another but in practice these is not performing by employee who works on cash and the one who is involved in custody of cash is also involve in recording cash. There is no rotation of duties in the authority some employees remain in the same job for a very long period of time. Based on their findings the internal auditors report to hire skilled manpower and to facilitate training.

3.1.5.2. Audit of Petty Cash

The manual of the authority stated that petty cash fund should be maintained using imprest system by which a petty cash float established and replacement are made up on presentation of payments made with their supporting documents, but in practice the level at which used up petty cash fund replenished and type of expenditure is not specified by the management, so some expenses are performed by petty cash fund that is not permitted by the rules of the authority. The internal auditing report the type/ nature of expenditure to be paid by petty cash fund should be specified and suggested to follow the rules consistently.

3.1.5.3. Audit of Suspense Account

Payment through suspense account is effected for salary advances and running costs. But in the case of ORTA sometimes big purchase like fuel, spare parts are purchased by suspense account and additional suspense account is requested and allowed before the previous account transactions is cleared. The auditors report that to have a strict control over payments performed by suspense account.
3.1.5.4. Audit of Bank Account

As standard of the authority all transactions on bank accounts including deposits should be supported by relevant documents and properly recorded and bank reconciliations should be carried out monthly and these should be checked and certified by senior staff for accuracy. When we try to see some transactions on bank account including deposit is not supported by relevant documents and is not recorded properly. In the authority bank reconciliations are not prepared monthly rather it is prepared quarterly and due to these each month there no proving of cash balance on cash book against bank statement.

3.1.5.5. Audit of Receivables

In the manual of the authority, audit of receivables includes but is not limited to:

- Checking that a schedule of receivables is regularly and accurately prepared incorporating an age analysis and that it is reported to management.
- Ascertaining that proper and up-dated general and subsidiary ledger cards in maintained.
- Ensuring that debts which cannot be collected after repeated attempts are written off in accordance with official procedures and that the write-off of debts is properly controlled and authorized. But some receivables are not scheduled regularly and accurately prepared incorporating and analysis and there is no proper an up-dated general control and subsidiary ledger, so it is difficult to agree the total of subsidiary ledger balance with the control ledger balance. In the monthly report of the authority there is receivables total amount 15,617,378 which is brought forwarded from previous years and have not subsidiary ledger that shows from whom that amount is expected, it is rolling more than 10 years without getting the decision of management either to try to collect the receivables or write-off.

3.1.5.6. Audit of Stock

It was stated in the manual of the authority that stock should be counted according to an established system and a physical stock count should be carried at least once a year. But in the authority there is no regularity to inspection and count, measure, weighed and compare with invoices and also they don’t prepare delivery notes to verify that the stock are properly delivered.
Even though counting of stock is performed each year there is no updating of balances for each year count. The internal auditors on their report the audit were unable to find updated stock balance which implies there are poor procedures for managing and controlling stock.

3.1.5.7. Audit of Fixed Assets

In the authority fixed assets are any tangible assets costing Birr 200 or more that is in operational use and that have a useful economic life of more than one year. Fixed assets registers provide all necessary information as required by the applicable directive of the authority. The authority established policy to conduct inventory of fixed assets at once a year and to compare the results with the records. When we observe there is no registration for fixed assets to identify one asset from other and also there is no carrying out of physical inspection of fixed assets periodically, as compared against fixed asset register. Fixed asset in the authority have no insurance coverage. The auditor reports that there were unable to check the physical existence of the fixed assets which implies that there is a weakness in the overall control exercised.

3.1.5.8. Audit of Payroll

On the manual of internal auditing of the authority ascertain that the accuracy of payroll calculations is verified by staff member other than those preparing the payroll. But when the employee prepare payroll the accuracy of details shown in the payroll sheet such as names, gross salary, working hours, overtime and the computation of deductibles are not verified /checked/ in an officials who are not involve in payroll sheet preparation. In the authority sometime employees is allowed to take the salary of another employee without a written delegation.

3.1.5.9. Audit of Expenditure

Payment voucher should be verified by budget control and finance department before payment is made. The system prohibits signing of blank cheque, but in our observation payment vouchers most of the time is not verified by budget control and finance department before payment is made and also if the cheque signers are prepared to go to field they sign blank cheque. The auditor reports that most of the payment vouchers are not verified and also blank cheques are signed, this implies that the authority might have face risk of fraud and deficit of budget.
CHAPTER FOUR

4. Summary, Conclusion and Recommendation

4.1. Summary

The study is composed of four chapters, the first chapter deals with introduction parts. The second chapter deals with review of related literature. Chapter three discusses data presentation, analyses and interpretation and the last chapter is concerned with summary, conclusion and recommendation of the research finding.

Before starting our research, find out whether we are going to be restricted by structure, style and content of our final report. Think about our audience and produce our report. We try to seek advice and comments from people experienced in writing journal articles. Think about producing our first article with another, more experienced researcher.

In addition to information technology audit, internal auditors play an important role in evaluating the risk management processes of an organization and advocating their continued improvement. However, to preserve its organizational independence and objective judgment, Internal Audit professional standards indicate the function should not take any direct responsibility for making risk management decisions for the enterprise or managing the risk management function.

Internal auditors typically perform an annual risk assessment of the organization, to develop a plan of audit engagements for the upcoming year. This plan is updated at various frequencies in practice. This typically involves review of the various risk assessment performed by the organization. It is designed for identifying audit project, not to identify, prioritize, and manage risks directly for the organization.

The general objective of this study is to assess internal audit ORTA organization to achieve their intended organizational objectives. As a general objective, this research attempted to look in to the current function of the internal audit of an organizational, namely Oromia Roads and Transport.
Authority review its role, identify problems, suggest possible solutions and make recommendations.

The significant of the Internal Auditing study is to monitor conformance, to both the documented quality system in operation and subsequently, to the requirements of any standard up on which the system is based.

ORA is a governmental organization it was established in July 1986 E.C. as an independent authority to carry out construction and maintenances of rural roads in Oromia National Regional State and Oromia Transport Authority is also governmental organizations it was established in 1985 E.C, to coordinate the movement of people, goods and vehicles in order to utilize routes most efficiently. When implemented, transportation systems seek to reduce transport costs and improve delivery times through effective timetabling and route management.

To evaluate the government accounting system of ORTA, Secondary sources and analysis made based on the data collected. The responsibility of head of internal auditors is to design a quality assurance program to provide reasonable assurance that audit assignments conform to all applicable standards, guidelines and record a plan for each engagement, communicate results, and monitoring progress. The scope of work which provides a reasonable base for reporting on the extent of policies, plans, procedures laws and regulations, which was prepared by the ministry of finance and economic development.

Some documents are maintained based on employee’s responsibilities. Accountants maintained payment voucher transaction registers and also cashers maintained petty cash books and suspense payment voucher.

Financial reports and statements must be prepared based on the required supplementary information and necessary document that have been recorded and obtained. The authority also prepared its reports based on the necessary document that are obtained and recorded.

The authority adopt annual budget and also have a good controlling mechanism to protect over and under utilization of budget. It is most important and mandatory for government organization. In government the authority has the responsibility of fiscal accountability which demonstration of compliance in the use of resources in budgetary context.
4.2. Conclusions

This study has been made with the purpose of reviewing the practice of internal audit in Oromia Roads and Transport Authority (ORTA), so as to find out practices and then to suggest possible recommendations that could be useful in the effective undertaking of auditing activities.

Accordingly, based on the finding and analysis we concluded that:-

4- Internal audit play an important practice in evaluating the internal control system and contribute to ongoing effectives. Because of organizational position and authority in ORTA, an internal audit functions often play significant monitoring role.

4- Internal audit are experts in evaluating and testing internal controls, demonstrating experts in technical skill and ensure that authority mechanisms and documents are adopted.

4- The internal audit has moved to the role of consultants, rather than the police dog, and needs to be relevant and value added to the authority.

4- One of the current issues for internal audit is striking the appropriate balance between being independent from operations and providing greatest benefits to the authority by being an internal consultant.

4- The overall objectives of internal audit division are to achieve the values and goals of the authority by providing both quality assurance (audits) and consultants

-1- The scope of internal audit activities encompasses through financial, operational (performance), technical and compliance audit.

-1- Policy and procedure manual especially in internal auditing are not amended with respect to the company development and operational changes. In addition they are not complete and are not transparently communicated to the auditor found under this department.
- Internal auditor role has changed with significant effort now on consulting/advisory service to work with business units to solve issue about operational processing, systems and controls.

4- Essential change noted is that audit functions are now less concerned with what we did, rather on current process and future requirements.

4- Internal audits has moved a way from purely compliance auditing and should be developed to provided management with consultancy services.

- Generally the most essential functions run to communication and over all technical skills are sent to be more essential than decision skills.
4.3. Recommendations

Based on the finding of the study, the following recommendations are suggested for effective and efficient internal audit practice of ORTA.

> It is very advisable to update and complete the policy and procedure manuals of internal audit activity in a manner that take recent development and operational changes in account.

> It is advisable for the authority to use write off receivables for uncollectible,

> After obtaining an understanding of the entity process for determining fair presentation and disclosure of operation performance, the internal auditor should assess inherent and control risk related to the internal control and operation to determine the nature, extent, and timing of audit activities.

> Internal auditing should be use written audit programs prepared in conformity with appropriate professional standards and practice and internal auditor themselves keep in track with the current change in internal audit practice.

> The work of internal auditing should be independent from control and supervision by managers or supervisors responsible to the head of department, each of whom supervises the work of staff under audit.

> Internal audit division should provide framework for others whom they use the work of the unit performed during their fieldwork.

> In Oromia Roads and Transport Authority the relationship between internal auditing and risk management is still at its infant stage and it needs to take more respect to correlate one another for the success of the authority and their respective departments.

> It is advisable to the authority to prepare monthly bank reconciliation

> The reports prepared by internal auditing must reflect a clear understanding of the audit tasks undertaken and the expression of valid conclusion