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RESEARCH ARTICLE

THE EFFECT OF INTERNAL AUDIT QUALITY ON ORGANIZATIONAL PERFORMANCE: THE CASE OF SELECTED BUREAUS IN SOUTH NATION NATIONALITY PEOPLE REGIONAL STATE, ETHIOPIA

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ABSTRACT

Internal audit quality plays key role in enhancing organizational performance in particular and safeguarding public resources in general. Therefore, the objective of this study was to examine the impact of internal audit quality on organizational performance of public sector selected bureaus in SNNPRS, Ethiopia. To this end, the researchers employed quantitative research approach with Explanatory research design where the effect caused by the independent variable on the dependent variable is observed through regression analysis. The primary data were collected using structured questionnaire from 112 respondents out of total 120 respondents' selected using simple random sampling technique from purposively selected 15 bureaus in SNNPRS, which make the response rate of 93.33 percent. Then, both descriptive and inferential statistics analysis has been done through E-views version 9 in order to get the research findings. The research employed multiple linear regression models to investigate the effect of explanatory variables on the dependent variable (organizational performance) of bureaus in SNNPRS. Consequently, the result of regression analysis showed that, out of eight variables incorporated in the model, four variables such as independency of internal audit (positive), competency of internal audit staff (positive), management support (positive), and formal mandate of internal audit (positive) and statistically significant respectively. Whereas, other explanatory variables like objectivity of internal audit staff (negative), internal audit standards (negative), competent leadership (positive) and unrestricted access to audit evidence (negative) were not statistically significant respectively.

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INTRODUCTION

Internal audit is an independent review of what others done by independent professional hired by organization itself. It is an important part of the corporate governance structure within an organization. The effective internal audit can also safeguard the firm from potential losses which affect the performance of the firm. Furthermore, internal audit plays a vital role in the good governance of an organization. The internal audit function includes monitoring activities taken by the board and audit committee to ensure the credibility offinancial reporting (Al Matarneh, 2011). Before 1980s, internal audit existed in elementary form in both private and public sectors. Vani (2010) states that even in the private sector, internal audit was largely confined to checking compliance with organizational

policies and procedures and varying the existence of assets. In the public sector, different strata to checking compliance with organizational policies and procedures and verifying the existence of assets essentially carried out the responsibility. Vani (2010) argues that modern internal audit really evolved after the landmark (1987) report of the Committee of Sponsoring Organizations (COSO) on fraudulent financial reporting. He further, stated that the implementation of the 2002 Sarbanes- Oxley act has further increased the breadth and depth of the professional work carried out by the internal audit community (IAC). Taiwo et al. (2016) find out that the effectiveness of IAF in public sector organizations was moderate since internal audit system in the public organizations' was not absolutely independent and professional competence was limited due to the challenge of insufficient funds to successfully carry out its duties in Kenya. Moreover, the study revealed that IAF had significant and positive effect on the quality of service delivery and management of resources in the public organizations. Therefore, the citizens depend

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upon the auditor to deliver an independent, objective evaluation of the accuracy of the government officials, accounting and to report on whether the government officials, use the resources in accordance with the citizens wishes (Dawuda, 2010). To this end, the audit function has been constantly seen as an essential part of government financial management and increasingly as a device for improving the performance of the organizations (Gezehagn, 2017). Formerly, the major role of internal auditing concentrated on an accounting oriented function that has been gradually transformed in to management-oriented profession. Even though internal audit and external audit face interrelated issues, in recent times, there has been a superior interest and more consideration placed on the internal audit, because internal audit gain evidence quickly and discover problems at an earlier stage than an external audit. The government allocates the resources to different bureaus in order to provide the quality service for the society. To achieve those government objectives applying internal audit function were the major mechanism for controlling and using of all scarce resources available in the corporate organization. In addition, the development in internal audit profession brings changes in the scope and functions of internal audit customers. Before internal auditors were seen just as an assistant of accountant's and an external auditor but recently internal audit is certainly considered an independent profession, which is playing a significant role in the management of organization (Samuel, 2008).

Public sector offices are part of the public body which is partly or wholly financed by government budget and concerned with providing basic government services to the whole society (MoFED, 2004). The compositions of the public sectors varied by their function and purposes, but in most cases, they designed in order to enable the public sectors to achieve their goals. The public sector bureaus provide services such as banking service, financing education, communication service, health care policy, transportation, electricity services, security and so on, which benefit all of the society and encourage equal opportunity to benefit from those services provided (Mihret and Yismaw, 2007). The effective use of public resource is determined by quality of internal audit, strategy to be set by the organizations, economic development of the country, skill, experience and technology use of the experts and managers in public sector bureaus. The quality of internal audit department (IAD) is the key tool to improve the organizational performance (Dittenhofer, 2001). As per researchers personal survey in 2017 and 2018, most of public bureaus in SNNPRS are prone to inefficient use of their budget due to lack of strong internal audit quality (Sayag, 2010). Hence, this research would focus on the assessing the Effect of internal audit quality on organizational performance in the selected public sector bureaus in SNNPRS, Ethiopia.

Hypotheses of the Study

After reviewing different literature on the topic, the following eight directional hypotheses have been formulated and tested by the researcher.

H1: Independence of the internal auditor has positive and significant effect on organizational performance.

H2: Competency of internal audit team has positive and significant effect on organizational performance.

H3: Internal audit standard has positive and significant effect on the organizational performance.

H4: Formal Mandate of Internal Audit has positive and significant influence on the organizational performance.

H5: Management support has positive and statistically significant effect on the public bureaus performance.

H6: Competency of leadership has positive and statically significant influence on organizational performances of the selected bureaus.

H7: Objective internal audit Staff has positive effect on organizational performance of the selected bureaus in SNNPR.

H8: Unrestricted Access to all necessary documents has positive impact on the bureaus performance.

Variable Definition and Hypotheses Formulation

Dependent variable

Organizational performance (OP): To measure organizational performance it is possible to use (1) Balanced Scorecard that consists of four perspectives, including customer perspective, internal-business processes, learning and growth and financials, to monitor progress towards the organization's strategic goals (both subjective and objective)., (2) Benchmarking- Uses standard measurements in a service or industry for comparison with other organizations in order to gain perspective on organizational performance. Benchmarking is often perceived as a quality initiative (Subjective), (3) Business Process Reengineering which aims to increase performance by radically redesigning the organization's structures and processes, including by starting over from the ground up, (4) ISO9000 Is an internationally recognized standard of quality, and includes guidelines to accomplish the ISO9000 standard, (5) Knowledge Management that focus on collection and management of critical knowledge in an organization to increase its capacity for achieving results (extensive use of computer technology). Its effectiveness towards reaching overall results for the organization depends on how well the enhanced, critical knowledge is applied in the organization. (6) Management by objectives which is pure subjective measurement of performance aims to align goals and subordinate objectives throughout the organization. Ideally, employees get strong input to identifying their objectives, time lines for completion (Goal Attainment).

And (7) total quality management set of management practices imposed throughout the organization to ensure that it consistently meets or exceeds customer requirements. Strong focus on process measurement and controls as a means of achieving continuous improvement (Development Compendium, 2012). In the current study, management by objectives (goal attainment) which is pure subjective measurement of organizational performance. This method uses the alignment of goals and subordinate objectives throughout the organization as performance indicator. Accordingly, (Tucker and Thorne, 2010) measured performance goal attainment as indicator of performance "the extent to which the goals of the organization truly reflect the interests and needs of its stakeholders" (pp. 29) using five point Likert scale [(from strongly agree (1), agree (2), neither agree or disagree (3),

disagree (4), strongly disagree(5)], to state agreement or disagreement on three logically stated statements. This method assesses the performance of an organization in terms of its success in realizing its goals. The current study used that of (Tucker and Thorne, 2010) as the base and adopted questionnaire with few modification. Different researchers considered it as continuous variable even if it is qualitative in nature for public sector bureaus. For instance, Wubishet & Dereje (2018) and Gezehagn (2017) measured it through questionnaire of a 5-point Likert scale without considering one method of indicator .So, the researchers has planned to measure it as continuous random variable that can be measured through multiple linear regression model.

Explanatory Variables

Independency of Internal Audit (IIA): Independence of internal allows the audit activity to conduct work and be perceived to conduct work without interference by the entity under audit and independence is a key factor for the internal audit activity to add value. According to Kirima (2016), a five point Likert scale was provided ranging from: a scale of 1 to 5 where 1=Strongly Disagree, 2=Partially Disagree, 3=Agree, 4=strongly agree, 5=totally Agree was used to measure independence of internal audit. Finally, the study finds out the positive and significant relationship between internal audit independence and performance. The regression result of Tesema (2018) was also clearly evidenced that there is positive relationship between independency of internal audit and good governance in public sector. Hence, the researchers developed the hypothesis for current study as:

H1: Independence of the internal auditor has positive and significant effect on organizational performance.

Competency of Internal Audit Team (CIAS): The audit activity needs a professional staff that collectively has the necessary qualifications and competencies to conduct the full range of audits required by the mandate. Auditors must comply with minimum education requirements established by their relevant professional organizations and standards. Wubishet & Dereje (2018) and Kirima, (2016) and Tesema (2018) competency of internal audit staff has positive and significant relationship with performance. Accordingly, the researchers developed the tentative statement of the current research as follow:

H2: Competency of internal audit staff has positive and significant effect on organizational performance.

Internal Audit standards (IAS): Professional audit standards, such as the international professional practices framework (IPPF) promulgated by the IIA, support the implementation of the previous elements and provide a framework to promote quality audit work that is systematic, objective, and based on evidence. Audit activities should conduct their work in accordance with recognized standards. Conformance with the standards is seen as a key factor for the internal audit activity to add value to the governance process. According to the result of study by Conformance with the standards is seen as a key factor for the internal audit activity to add value to the governance process. The study by (IIARF: 2014) showed that internal audit activity conforms to some or all of the standards, verification of compliance with other standards or codes and

Verification of Compliance with other Standards or Codes respectively. So

H3: Internal audit standard has positive and significant effect on organizational performance.

Management 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. This means the internal audit activity is credible within the organization. In the same way (Faudziah et al., 2005) find out that, management support of internal audit department has significant impact on internal audit quality in one hand and organizational performance in other hand. So that, the researchers formulated the hypothesis as follow:

H4: Management support has positive effect on public bureaus performance

Competent Leadership: The front-runner should be knowledgeable of applicable audit standards, professionally qualified preferably certified and competent to supervise and manage an audit activity. Moreover, the chief audit executive should be an articulate public spokesperson for the audit activity. Measurements from the survey by (IIARF: 2014) showed that 71% CAE has senior experience professional certification(s) in internal auditing. More competent the managers of the firm, more effective the organization's performance. For this reason the researchers in current study, formulated the hypothesis as:

H5: There is positive and statistically significant influence on the organizational performance and competent leadership of the organization.

Objectivity of audit staff: Audit staff must have impartial attitudes and avoid any conflict of interest. According to objectivity of audit staff (Faudziah et al., 2005) has positive significant on internal audit quality. The finding of Tesema (2018) also concluded that positive relationship between internal audit and organizational performance. Consequently, in present study it is hypothesized as:

H6: There is positive and significant influence the organizational performance &of objective internal audit Staff.

Formal Mandate of Internal Audit (FM): Internal auditing is required by law or regulation where the organization is based was responded. The external regulatory environment may impact the capability of the internal audit activity. Specifically, having a legal mandate may give more legitimacy to the internal audit activity. The regression result of Tesema (2018) showed there is positive relationship among organizational performance and formal mandate. Accordingly, it can be hypothesized as:

H7: Formal Mandate of Internal Audit has positive influence on organizational performance

Unrestricted Access: It is an idea that tells us internal audit activity should be conducted with complete and unrestricted access to employees, property, and records as appropriate for the performance of audit activities. In research by (IIARF: 2014) respondents agreed with this statement: internal audit

has sufficient status in the organization to be effective. Hence, the tentative statement in relation to unrestricted access can be formulated as:

H8: unrestricted Access to all necessary documents needed for audit has positive effect on public bureaus performance.

Diagnostic tests (Assumption of classical linear regression model): The following diagnostic tests were carried out to ensure that the suits the basic assumption of classical linear model. Among the assumption, the researchers conducted four basic diagnostic tests to check if the data meet the requirement. Normality, Multicollinearity, autocorrelation, and heteroscedasticity tests were undertaken.

- **Normality:** to check for normality, descriptive statistics were used. Jarque-Bera test statistical probability, Kurtosis and Skewness of the distribution of the data were examined.
- **Multicollinearity:** the existence of strong correlation between the independent variables was tested using variables correlation coefficients (CC); condition index (CI) and variance inflation factor (VIF).
- **Heteroscedasticity:** to avoid the problem of heteroscedasticity of disturbance terms, Breusch-Pagan-Godfrey test was employed in establishing the relationship.
- **Autocorrelation:** to check if there is a pattern in the errors, the Breusch-Godfrey Serial Correlation LM Test was conducted.

METHODOLOGY

Research Approach: According to Abiy et al (2009), there are three research approaches. These are quantitative, qualitative research and mixed approaches. Quantitative research approach involving numerical or statistical data and emphasis is on the quantifiable observations of the research which is mainly objective. Whereas, qualitative research approach is an approach to gather non-numerical data in which Words and observations are used to express the reality where 'getting close to the data' and an 'in-depth' approach are key concerns. The mixed approach is the combination of both quantitative and qualitative approaches. In the current study, the researchers has employed quantitative research approach for the reason.

Source of Data and Methods of Data Collection: In this research, the researchers used both primary and secondary data. The source of primary data includes feedback gained from respondents by using structured questionnaires distributed to selected personnel's from the bureaus. While the secondary data were collected by using documents review from sources like journals, books, and thesis and unpublished manuscripts like office annual reports, minutes and other materials related to the study and .

Sample Size and Selection Technique: Green (1991) who is the famous Econometrician suggests the following formula to select target population for regression analysis:

$$n \geq 50 + 8k$$

Where n = sample size and k= independent variables, accordingly, sample size was determined from total target population by formula of Green (1991) as follow:

$$114 = 50 + 8 * 8$$

Assume that there will be 5% of totally distributed questionnaire is uncollectable, then sample size can be modified as follow:

$$95\% \text{ of } n = 114 \Rightarrow n = 120$$

Therefore, the maximum sample size was 120 respondents from bureaus in SNNPRS Then, to simple random sampling technique, in order to take sample from 15 each purposively selected bureaus, the following formula of (Israel, 1992) was also used by the researchers and showed in the following table 3.1. This is:

$$nh = (Nh/Ns) * n$$

Where, nh = sample size from each site, Nh = total population in each area, Ns = target population and n = sample size from target population.

Validity and Reliability Test: Validity test of the questionnaire is measured by using validity test carried out by the researchers before actual data analysis. To measure the consistency of the questionnaire particularly the Likert-type scale the reliability analysis is essential in reflecting the overall reliability of constructs that it is measuring. To carry out the reliability analysis, Cronbach's Alpha (α) is the most common measure of scale reliability and a value greater than 0.70 is very acceptable (Cohen and Sayag, 2010) and according to Cronbach's (1951), a reliability value (α) greater than 0.60 is also acceptable. Data collected from pilot test was analyzed using SPSS (Statistical Package for Social Sciences) version 21.0

Methods of Data Analysis: After accomplishment of data collection procedure, it classified as per each variable; the qualitative data was coded to be measured quantitatively. In this research, data was analyzed by the help SPSS version 21.0.

Econometrics Model Specification: Performance of the organization is continuous random variable in nature that could be measured through multiple linear regression models. A model is said to be linear when it is linear in parameters. Linear regression model can be either simple or multiple. Simple linear regression model is used when there is only one independent variable. In this research multiple linear regression models were employed because, the study depends on more than one explanatory variable. Hence, both 9 explanatory variables such as {(Independence of Internal Audit (IIA), Competence of Internal Audit Team (CIAS), Internal Audit Standard (IAS), A Formal Mandate of Internal Audit (FM), Unrestricted Access (URA), Management Support (MS), Competent Leadership (CL), and Objective Internal Audit Staff (OIAS)} and dependent (organizational performance (OP) has assumed to have linear relationship.

The researchers developed the model as follow: In the multiple linear regression model, the regressed (dependent variable (OP) is a linear function of IIA, CIAS, IAS, FM, URA, MS, CL, and OIAS (independent variables) corresponding to the explanatory variables and a random disturbance or error. The model also has an intercept. Designating the regressed by OP, the independent variables by IIA, CIAS, IAS, FM, URA, MS,

Table 1.1 Sample Size Selection from each bureaus

Sampling site	Population of each bureau	The formula used to calculate sample size	Calculations by applying the Formula	Proportion sample size from each bureau
Finance & Economy dev.	102	$nH = (nH/nS) * n$	$(102/475) * 120$	25
Investment Bureau	50	$nH = (nH/nS) * n$	$(50/475) * 120$	12
Regional Administration	26	$nH = (nH/nS) * n$	$(26/475) * 120$	7
Regional communication	20	$nH = (nH/nS) * n$	$(20/475) * 120$	5
South Radio & TV	22	$nH = (nH/nS) * n$	$(22/475) * 120$	6
Regional Agriculture B.	36	$nH = (nH/nS) * n$	$(36/475) * 120$	8
Regional Cooperative.	25	$nH = (nH/nS) * n$	$(25/475) * 120$	6
Regional pastoralist B.	23	$nH = (nH/nS) * n$	$(23/475) * 120$	6
Regional Irrigation B.	27	$nH = (nH/nS) * n$	$(27/475) * 120$	7
Regional Transportation	42	$nH = (nH/nS) * n$	$(42/475) * 120$	11
Tourism & Culture	22	$nH = (nH/nS) * n$	$(22/475) * 120$	6
Regional Education B.	30	$nH = (nH/nS) * n$	$(30/475) * 120$	8
Regional Health Bureau	23	$nH = (nH/nS) * n$	$(23/475) * 120$	6
Hawassa TVT college	12	$nH = (nH/nS) * n$	$(12/475) * 120$	3
Regional Health Science	15	$nH = (nH/nS) * n$	$(15/475) * 120$	4
TOTAL	475	$nH = (nH/nS) * n$	$(475/475) * 120$	120

Source: researchers' own computation (2019) based on data from HRM of bureaus

Table 3.2 Summary of variables definition and scale of measurement

Variables incorporated	Symbol	Unit of measurement	Sign Expected
Dependent variable			
Organizational performance	OP	Continuous	
Explanatory variables			
Independence of Internal Audit	IIA	Continuous	+
Competency Of Internal Audit Staff	CIAS	Continuous	+
Internal audit standards	IAS	Continuous	+
Formal Mandate of Internal Audit	FM	Continuous	+
Unrestricted Access	URA	Continuous	+
Management Support	MS	Continuous	+
Competent leadership	CL	Continuous	+
Objectivity of internal audit	OIAS	Continuous	+

+, Positive effect; -, Negative effect. Source: Researchers own Construction development (2019)

Table 1.2 Pearson correlation matrix for dependent and independent variables

Variable	OP	IIA	CIAS	IAS	MS	CL	OIAS	LM	URA
OP	1								
IIA	0.125	1							
CIAS	0.164	-0.192*	1						
IAS	0.008	0.049	0.255**	1					
MS	0.344**	0.074	0.069	0.202*	1				
CL	-0.054	-0.035	-0.177	-0.221*	-0.059	1			
OIAS	0.000	0.331**	-0.186*	-0.185	0.007	0.047	1		
FM	0.262**	-0.176	-0.020	-0.062	0.296**	-0.112	0.005	1	
URA	-0.033	0.272**	-0.027	0.436**	0.237*	-0.098	0.185	0.059	1

Source: Survey data, 2019

Table 1.3 . Regression Results (OP) through SPSS

R = 0.467 ^a , R ² = 0.281, Adj. R ² = 0.158, Std. Error of the Estimate = 0.67132, Durbin-Watson (d) = 2.060, F-statistic = 3.594, P-value = 0.001								
Model	Unstandardized Coefficients		Standardized Coefficients		t-Value	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Tolerance	VIF
1	Constant	1.383	.543		2.548	.012		
	IIA	.144	.064	.222	2.255	.026*	.784	1.275
	CIAS	.118	.056	.197	2.095	.039*	.856	1.168
	IAS	-.027	.055	-.052	-.487	.627	.661	1.512
	MS	.247	.082	.290	3.020	.003**	.821	1.219
	CL	.007	.087	.007	.082	.935	.912	1.097
	OIAS	-.019	.065	-.028	-.292	.771	.801	1.249
	FM	.160	.073	.210	2.200	.030*	.832	1.202
	URA	-.068	.063	-.115	-1.092	.278	.682	1.467

**P-value < 0.01, *p-value < 0.05 level of Confidence, N = 112; Source: Survey data, 2019 Fitted model

Table 1.4. Summary of Expected and Actual Influence of Explanatory Variables on OP

Relation with OP	Hypothesis	Expected	Actual result	Decision
IIA	H1:	Positive & significant	Positive & significant	Accepted
CIAS	H2:	Positive & significant	Positive & significant	Accepted
IAS	H3:	Positive & significant	negative & insignificant	Rejected
MS	H4:	Positive & significant	Positive & significant	Accepted
CL	H5:	Positive & significant	Positive & insignificant	Rejected
OIAS	H6:	Positive & significant	Negative & insignificant	Rejected
FM	H7:	Positive & significant	Positive & significant	Accepted
URA	H8:	Positive & significant	Negative & insignificant	Rejected

Source: Survey data, 2019

CL, and OIA and the random disturbance- by u , the model is given by the following expression as:

$$OP = \beta_0 + \beta_1 * IIA + \beta_2 * CIAT + \beta_3 * IAS + \beta_4 * FM + \beta_5 * URA + \beta_6 * MS + \beta_7 * CL + \beta_8 * OIAS + u \dots \dots (3.1)$$

Whereas:

OP= Organizational performance

β_0 = Constant term

$\beta_1, \beta_2, \beta_3, \beta_4, \dots, \beta_8$ refers to coefficients of independent variables

IIA =Independence of Internal

CIAS=Audit Competence of Internal Audit Staff

IAS = Internal Audit Standard

FM =Formal Mandate of Internal Audit

URA = Unrestricted Access

MS= management Support

CL= Competent Leadership and

OIAS = Objective Internal Audit Staff

E_i = on the right hand is error term

Pearson correlation matrix for dependent and independent variables:

Correlation analysis measures the relationship between two items. The resulting value (called the "correlation coefficient") shows if changes in one item will result in changes in the other item. Correlation is a way to index the degree to which two or more variables are associated with or related to each other (Brooks, 2008). The correlation matrix for this study was computed as follow. The table 4.4 shows the relationship between dependent variable (Organizational performance (OP) and independent variables with coefficient of correlation 1 indicates that each variable is perfectly correlated with each other. The result shows that, management support (MS) positive and formal mandate of internal audit (FM) positive were positively correlated and at 1% significance level (as $P < 0.01$ (see appendix 2). Whereas, followed by independency of internal audit (IIA) positive, competency of internal audit staff (CIAS) positive, Internal audit standard (IAS) positive, competent leadership (CL). Whereas independency of internal audit (IIA) positive but statistically insignificant respectively. On other hand competent leadership (CL) negative and unrestricted access to audit evidence (URA) negative respectively and significantly correlated with organizational performance (OP). In opposite direction, objectivity of internal audit staff (OIAS) does not correlated with organizational performance (OP). The result shows the acceptable reliability of the research variables in which, the correlation among predictors were not high and more than 0.80 indicates there are no Multicollinearity problems among variables which is best for analysis of the data for this study.

The Regression Results (Inferential Statistics): The OLS result of was presented in table 4.9 above. R-squared was measured the goodness off it of the explanatory variables in explaining the variations in organizational performance of bureaus in SNNPRS. As shown in the table above, R-squared and the Adjusted-R- squared statistics of the model were 28.1 percent and 15.8 percent respectively. The result indicates that 15.8 percent variation in the dependent variable was explained by the explanatory variables in the model. That means the explanatory variables (such as Independence of Internal Audit

(IIA), Competence of Internal Audit Team (CIAT), Internal Audit Standard (IAS), A Formal Mandate of Internal Audit (FM), Unrestricted Access (URA), Management Support (MS), Competent Leadership (CL), and Objective Internal Audit Staff (OIAS) are jointly explain about 15.8 percent of the variation in the organizational performance of the bureaus. The remaining 84.20 percent of the variation in the organizational performance of the bureaus (as measured by Likert scale) explained by other variables which are not included in the model. According to (Peterson, 2016) A high R-square or adjusted R- Square of above 60%(0.60) is required for studies in the 'pure science' field because the behavior of molecules and/or particles can be reasonably predicted to some degree of accuracy in science research; while an R-square or adjusted R- Square as low as 10% is generally accepted for studies in the field of arts, humanities and social sciences because human behavior cannot be accurately predicted, therefore, a low R-square is often not a problem in studies in the arts, humanities and social science field. Besides, the, F-statistics (3.594) in model summary and ANOVA with (p-value of 0.001) which is used to test the overall significance of the model was presented and indicates the reliability and validity of the model at 1 percent level of significance (see table 4.9 and 4.14) and appendix 2. This tells us that the model as a whole is statistically significant. The coefficients of Independence of Internal Audit (IIA) 0.144, Competence of Internal Audit Team (CIAS) 0.118, management support (MS) 0.247, Competent Leadership (CL) 0.007 and a formal Mandate of Internal Audit (FM) 0.160 leads to 0.144, 0.118, 0.247, 0.007 and 0.160 percent increase in organizational performance respectively. Whereas, the coefficient of explanatory variables such as internal audit standards - 0.027, objective Internal Audit Staff (OIAS)- 0.019 and Unrestricted Access (URA) -0.068 ,respectively shows that one unit changes in internal audit standard (IAS) ,Objective Internal Audit Staff (OIAS) and Unrestricted Access (URA) lead to a negative direction changes on dependent variable (OP) of the selected bureaus.

Summary of findings of inferential statistics (OLS Regression):

The OLS regression model result of this study as presented in (table 4.9) R²-squared and the Adjusted-R²-squared statistics of the model were 28 percent and 15.80 percent respectively which shows that the model is good fitted. The result of adjusted R² indicates that 15.8 percent variation in the dependent variable was explained by the explanatory variables in the model. That means the explanatory variables (such as Independence of Internal Audit (IIA), Competence of Internal Audit Team (CIAS), Internal Audit Standard (IAS), A Formal Mandate of Internal Audit (FM), Unrestricted Access (URM), Management Support (MS), Competent Leadership (CL), and Objective Internal Audit Staff (OIAS) are jointly explain about 15.80 percent of the variation in the organizational performance of the bureaus. The remaining 84.20 percent of the variation in the organizational performance of the bureaus is explained by other variables which are not included in the model. Besides, the, F- statistics (3.594) in the model summary and ANOVA with (p-value of 0.001) which is used to test the overall significance of the model was presented and indicates the reliability and validity of the model at 1 percent level of significance (see table 4.9) and appendix 2. This tells us that the model as a whole is statistically significant. The coefficients of Independence of Internal Audit (IIA) 0.144, Competence of Internal Audit Team (CIAS) 0.118, management support (MS) 0.247,

Competent Leadership (CL) 0.007 and a formal Mandate of Internal Audit (FM) 0.160 shows that one unit changes in independence of Internal Audit (IIA), Competence of Internal Audit staff (CIAS), management support (MS), Competent Leadership (CL), and a formal Mandate of Internal Audit (FM) leads to 0.144, 0.118, 0.247, 0.007, 0.454 and 0.160 percent increase in organizational performance respectively. Whereas, the coefficient of explanatory variables such as internal audit standards - 0.027, objective Internal Audit Staff (OIAS) - 0.019 and Unrestricted Access (URM) -0.068 ,respectively shows that one unit changes in Objective Internal Audit Staff (OIAS) and Unrestricted Access (URM) lead to changes a negative directional change on dependent variable (OP) of the selected bureaus in SNNPRS, Ethiopia. The result of independence of internal audit with standardized coefficient of regression [$\beta=0.144$] has positive and statistically significant since (p-value of $0.026 > 0.05$) Hence, hypothesis H1 stated as "Independence of the internal auditor has positive and significant impact on organizational performance" is accepted. This finding is consistent the finding of other studies results Kirima (2016) and Tesema (2018) who found out the positive and significant relationship between internal audit independence and performance in their study areas. The regression result of the model regarding independence of internal audit was also clearly evidenced that there is statistically significant and positive relationship between independency of internal audit and organizational performance in public sector as far as the sign is positive. This implies that more independency the auditor contributes to the effectiveness of an organization.

Concerning with coefficient of regression of competency of internal audit staff, [$\beta=.118$] is positive and statistically significant with p-value ($0.039 > 5\%$ level of significance. Therefore, hypothesis H2 stated as "competency of internal audit staff has positive and significant impact on organizational performance" is accepted. This finding is consistent with that of Wubishet & Dereje (2018) and Kirima, (2016) and Tesema (2018) competency of internal audit staff has positive and significant relationship with the organizational performance. This indicate that increase in competence of internal audit staff in the organization has influence on performance of the organization since it leads to the effective resource allocation

In relation to internal audit standard with coefficient of regression of internal audit standard, [$\beta= -0.027$] is negative and statistically insignificant with p-value ($0.627 > 1\%$, 5% and 10%) level of significances. Therefore, hypothesis H3 stated as "internal audit standard has positive and significant impact on the organizational performance" is not accepted (rejected). This indicates that increasing internal audit standard in the organization has no influence on performance of the organization since it leads to the ineffective resource allocation. The result of this study shows that management support with standardized coefficient of regression [$\beta=0.247$] has positive and statistically significant since (p-value of $0.0032 < 0.01$) Hence, hypothesis H4 stated as "management support has positive and significant impact on organizational performance" is accepted. This finding is consistent with finding of other studies results (Shewamene; 2014), (Hawa, 2016) and (Tesema, 2018) who found out the positive and significant relationship between management support and performance in their study areas. The regression result of the model indicates management support and organizational performance in public sector are interrelated.

The result of this study shows that competent leadership (CL) with standardized coefficient of regression [$\beta=0.007$] has positive and statistically insignificant since (p-value of 0.09350 > 1%, 5% and 10% level of significances). Hence, hypothesis H5 stated as "competent leadership has positive and significant impact on organizational performance" was rejected. This finding is in consistent with finding of other study by (IIARF: 2014) in which competency of leaders has found to be one the internal audit. The front-runner should be knowledgeable of applicable audit standards, professionally qualified preferably certified and competent to supervise and manage an audit activity. Moreover, the chief audit executive should be an articulate public spokesperson for the audit activity. Measurements from the survey by (IIARF: 2014) showed that 71% CAE has senior experience professional certification(s) in internal auditing. More competent the managers of the firm, more effective the organization's performance. The regression result of the model with regarding competent leadership of the bureaus in the bureaus was also clearly evidenced that there is no relationship between competency of leadership and organizational performance in public sector.

Concerning the objectivity of internal audit staff (OIAS), the coefficient of regression model [$\beta= - 0.019$] has negative and insignificant at 0.01, 0.05 and 0.1 level of significances since p-value ($0.770 > 0.01$, 0.05 and 0.1) on organizational performance. Therefore, the hypothesis H6 stated, "There is positive relationship between organizational performance & objective internal audit Staff" was not accepted. However, the pervious study done by (Faudziah et al., 2005) and (Tesema, 2018) have evidenced that more the objectivity of internal audit staff has positive and statistically significant influence on public sector organizational performance. This implies that objectivity of internal audit staff have negative influence on the organizational performance. When it comes to the finding of this study with regard to formal mandate of internal audit (FM), the coefficient of regression is [$\beta=0.160$] is positive and significant at 5% level of significance because p-value of $0.030 > 5\%$, level of significance. Thus, hypothesis H7 sated as "Formal Mandate of Internal Audit has positive influence on organizational performance" is accepted by the researcher. This result is consistent with the study by Tesema (2018) which found out formal mandate of internal audit has positive and statistically significant impact on organizational performance. When it comes to other explanatory unrestricted access to audit evidence, (URA has statistically insignificant and negative influence on dependent variable (organizational performance (OP) for the reason that its ($\beta = -0.068$) and p-values of 0.278 is more than 1%, 5% and 10% level of significant respectively. Hence, H8 is not accepted.

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