

DETERMINANTS OF INTERNAL AUDIT FUNCTION: A STUDY OF GOVERNMENT SECTORS IN BGRS, ETHIOPIA

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Abstract

The core purpose of the present study is to scrutinize determinants of internal audit performance in public sectors. This study tried to enlighten stakeholders' perceptions about internal audit performance based on the measures of competence of auditors, size of internal audit department, relationship between internal and external auditors, independence of internal audit, and extent of management support for the internal audit function. The major findings of this piece of study uncover that the agreement of the respondents over the current status of the stated measures and their respective contribution to the effectiveness of Internal Audit function is very low. Among the stated measures, only 'Internal Audit Independence' and 'Internal and External Auditors relationship' are showing very strong positive correlation with Internal Audit Effectiveness. A weak negative insignificant correlation has also been observed between 'Size of the Internal Audit Department' and the 'Effectiveness of the Internal Audit'. Among all the independent variables, 'Independency of Internal Audit Team' and 'Relationship between Internal and External Auditors' and 'Competency of the Internal Audit Team' are strongly determining the Effectiveness of Internal Audit.

Keywords: *Internal audit Internal control, Financial audit, Auditor's report, External auditor Effectiveness of Internal Audit, management support to internal audit, Internal Audit Performance*

I. INTRODUCTION

Even if internal and external audit use for unified concerns, in topical times, there has been a superior interest and more consideration placed on the internal audit because internal audit gain evidence quickly and

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discover problems at the earliest than an external audit (Samuel, 2008). Internal auditors play an important role in safeguarding resources of an organization and it is expected from them that they will provide continuous information about the utilization of resources and enable continuous assessment on whether their feedback perfectly meets objectives of general public along with their expectations and whether these are well balanced to cut down the risks that are inherent in the principal-agent relationship (Adel, 2011). The measurement of system of information flow and evaluation of integrity issue are undertaken by internal auditors to conquer clearness in financial reporting (IIA, 2004; Owler& Brown, 2009). It is required for the internal auditors to consistently follow the defined procedures that are developed by IIA (Ramsay, 2002). Another important function of these auditors is to achieve transparency and greater accountability in the management of public finances and their utilization for the accomplishment of institutional performance(Owler& Brown, 2009).

In this study, host of measures that determine internal audit performance of public sectors have been considered. These include, department's perception of ability to design, increased organization's productivity, consistency of results with predefined objectives, implementing recommendations of internal audit, appraising and improving risk management, and evaluating internal control systems. Moreover, in this paper, researchers tried to put light on stakeholder perceptions of internal audit effectiveness using measures of competence of auditors, size of internal audit department, relationship between internal and external auditors, independence of internal audit, and extent of management support for the internal audit function. Moreover, other factors such as Working environment, and the level of technical competency, working environment in an organization and internal auditors' independence have been found to have significant impact on internal auditors' performance with particular reference to government ministries (Mihret et al., 2010). However, some of the determinants of internal audit function Viz. size of internal audit department, relationship between internal and external auditors and management support for internal audit have not been not been considered by Mihret. Shewamene (2014)claimed a positive impact of management perception, management's support, independence of internal auditors, competent internal auditor's staff and the existence of approved internal audit charter on the internal audit performance of an organization. In this direction, the focus of the present study is to explore the factors that mainly impact performance of internal audit function especially in government sectors in BGRS, Ethiopia.

II. Theoretical review

According to Endaya & Hanefah(2013), internal auditors as a professional must perform their activity flawlessly. To do so, they must have the capability to make well-justified judgments, educational and professional certification, and experience in conducting an audit (Mihret&Yismaw, 2007). Internal auditors with these qualities can certainly boost the confidence level of Board of Directors as well as audit committee (Endaya&Hanefah, 2013). Effective audit committees' existence in an organization with absolute authority has been successful in addressing such problems. Therefore, internal auditing has so many attributes for corporate firms like commercial banks by reducing agency problems and controlling the activities of management (Ramachandran et al., 2012).

According to Arena &Azzone (2009), the institutional theory delivers a way out in understanding the compliant and legitimating methods that upset the improvement of internal auditing. In case of organizations, there is a greater level of flexibility as these are the result of social formations. (Changwony&Rotich, 2015). An organization is considered a member of organizational field, as believed by Institutional Theorists, which consists of host of inter-related organizations. This is because of this interrelation that leads organizations to have an influence on others (Mihret&Yismaw, 2007). A number of studies in internal audit have adopted an institutional theory (Arena &Azzone, 2007; Changwony&Rotich, 2015;Mihret&Yismaw, 2007; Ramachandran et al., 2012; Al-Twaijry et al., 2003).For the purpose of identification of determinants of IA effectiveness, isomorphic normative and coercive processes have been considered as directed by institutional theory for two reasons. The first reason is institutional theory that is considered as part of organizational structure and is expected to help to discuss such organizational phenomena even in the absence of organizational goals(Changwony&Rotich, 2015). The second one is,in case of underdeveloped countries like Ethiopia where equity market is weak, institutional theory can provide a greater support (Mihret&Yismaw, 2007).

According to Arena &Azzone (2007), under the framework of agency theory limited number of research studies has been conducted in auditing. The main reason, argued by Mihret et al. (2010) for limited research in IA has been the only consideration of neoclassical economic theories. Considering number of things besides a theory enables to address social, behavioral and economic aspects as well. Eventhough there are some of the studies that have relied on both agency as well as institutional theories (Mihret et al., 2010). For this study, to analyze the motives of internal auditors towards which they are more inclined to achieve to increase their personal economic benefits, an agency theory has been extensively followed. However, Institutional theory has also been taken care of as this theory defines conformity with SPPIA as well as influence on organizations' support towards IA.

III.METHODOLOGY OF THE STUDY

Based on the nature of the study, explanatory research design was employed with quantitative and qualitative methods. The target population was 27 regional and 14 zonal public sectors operating with 69 and 86 internal auditors, respectively. A total of 36 organizations spreading across regional level and zonal level were selected purposively to enable the researcher to approach the organizations which has been practicing the Internal Audit efficiently. Among selected 36 sectors at regional and zonal levels 103 respondents participated on the study. We take all numbers of employees from each selected woreda and regional sectors. The entire population was used from each selected sectors because the numbers of internal auditors are small and manageable as well as to avoid sampling error. Thus, the researchers used census survey for all internal auditors at each selected sectors. The primary data was gathered through administering the questionnaire and the secondary is collected from both published and unpublished institutional reports. The data collection tools, i.e. questionnaire, is pilot tested on 30 sample respondents to estimate its objectivity, clarity, validity, reliability and comprehensiveness. The processed data is analyzed with both descriptive and inferential techniques. After successfully conducting pilot study and its subsequent analysis, the questionnaire was improved further and the

final data collection instrument was used to solicit the responses from the sample. The reliability and validity of the final questionnaire is estimated through fields' structure validity and Cronbach's Alpha measures. As depicted in Table 1, the fields' structure validity was examined through correlation coefficients for each of the field of the questionnaire as well as entire questionnaire. The correlation of all the fields are significant ($P < 0.05$), as can be seen in table below, thereby indicating validity of the fields that are able to measure what these were supposed to.

Table 1: Correlation analysis for each field

o	Field	Spearman's' correlation	P-value(sig.)
	Independent internal audit	0.632	0.000
	Management support of internal audit	0.784	0.000
	Internal auditors experience	0.777	0.000
	Size of internal auditors	0.802	0.000
	Competency of staff	0.835	0.000
	Internal and external auditor's relationship	0.711	0.000
	Effectiveness of IA function	0.761	0.000

As depicted in Table 1, Cronbach's Alpha is 0.939 and Cronbach's Alpha Based on Standardized Items is 0.938 for the whole questionnaire and these higher values provide sufficient evidence for establishing reliability of the instrument. Hence, the items under study are reliable and acceptable based on the proof of sufficient values. Cronbach's Alpha close to 1.0 indicates excellent reliability. Coefficient of reliability less than 0.65 is generally taken as an indicator of poor reliability. The reliability should be considered acceptable in case the coefficient is in the range of 0.65-0.80. However, coefficient of 0.80 or above is a signal of good reliability (Teferie, 2013 and Sekaran, 2000).

Table 2: Cronbach's Alpha for whole of the questionnaire

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
0.939	0.938	59

The descriptive techniques like frequency count, percentage, measure of central tendency (Mean), measures of dispersion (Standard deviations) were used to summarize and describe the responses. The inferential techniques- ANOVA, t-test, and regression were employed to identify determinants of Internal Audit effectiveness. The following Regression model was run to achieve the objectives:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \varepsilon$$

Where:

β_0 - is the regression constant;

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and β_6 - are the coefficients of independent variables;

X_1 - independence of the internal audit department

X_2 - management support to internal audit

X_3 - internal auditors experience

X_4 - Size of internal auditors staff

X_5 - competence of staff within the internal audit department

X_6 - working relationship between internal and external auditors and

ε - Is the error term

IV. DATA ANALYSIS AND INTERPRETATION

The questionnaires were distributed to IA staffs of BGRS public sectors. For these, 103 questionnaires were distributed and 97 have been collected and 94 are usable for analysis. The response rate of administered questionnaire is 91.3% and the remaining questionnaires 7.7% was not returned and the remaining 3 questionnaires are not valid.

Descriptive Statistics

Table 3: Mean score of factors affecting Internal Audit performance

SN.	Statement	N	Mean	Standard deviation
1	Independence of the internal audit department	94	2.82	1.339
2.	management support to internal audit	94	2.59	1.463
3	Experience of internal auditor on effectiveness of Internal Audit	94	2.84	1.466

4	Size of internal auditors staff	94	3.53	1.423
5	competence of the staff	94	2.81	1.471
6	working relationship between internal and external auditors	94	2.84	1.548
7	Effectiveness of IA function	94	3.08	1.454

The analyses of the average Mean score for the statements(i.e. 2.82) in relation to independency of Internal Audit department in Table 3 reveals that this particular department is not fully independent while discharging its functions. Similarly, the average of mean scores (i.e. 2.59) for the statements related to the management's support to Internal Audit indicate that the support of management to discharging Internal Audit functions is less. The average mean scores of the statements related to the contribution of Internal Audit experience to the effective discharge of Internal Audit function is only 2.84, hence it is evident that the Internal Audit experience is not contributing to the effectiveness of Internal Audit. In other case the average mean scores for the statements related to the Internal Audit department size influence over its functions is 3.53, it represents that good number of respondents accept the existence of influence of department size over its functions. The competency of internal auditors with average mean score of 2.81 divulges that personnel of Internal Audit departments in selected organizations are not competent in discharging their duties. The average of mean score 2.8, indicate the lack of smooth relationship between internal and external auditors and that hampers effectiveness of Internal Audit functions. The average of the Mean scores for the statements related to effectiveness of Internal Audit (3.08) indicates its poor implementation.

Inferential Analysis

Application of correlation analysis confirmed positive and significant correlation of 'Effectiveness of IA' with 'Internal Audit Independence' as well as 'Internal and External Auditors Relationship'. Whereas the 'Management Support' and 'Competency of Internal Auditors' variables are showing moderately positive significant correlation with the Effectiveness of IA function. Also, a weak but positive correlation has been found, as can be seen in Table 4, between 'Experience of the Internal Auditors' and the 'Effectiveness of IA' in the selected sectors. Similarly, a weak but negatively insignificant correlation has also been observed between 'Size of the Internal Audit Department' and the 'Effectiveness of IA'.

Table 4: Correlations

	Indepen dence of IA	Exper ience	Relationship of Internal and External auditors	Size of IA staff	Manage ment support	Compet ency of IA team	Effecti veness of IA function

Independence of IA	Pearson Correlation	1						
	Sig. (2-tailed)							
Experience	Pearson Correlation	.008	1					
	Sig. (2-tailed)	.941						
Relationship of IE auditors	Pearson Correlation	.579**	.199	1				
	Sig. (2-tailed)	.000	.054					
Size of IA staff	Pearson Correlation	-.137	.447**	.023	1			
	Sig. (2-tailed)	.187	.000	.822				
Management support	Pearson Correlation	.346**	-.079	.440**	-.223*	1		
	Sig. (2-tailed)	.001	.451	.000	.031			
Competency of IA team	Pearson Correlation	.244*	.296**	.223*	.193	.022	1	
	Sig. (2-tailed)	.018	.004	.031	.062	.833		
Effectiveness of IA function	Pearson Correlation	.737**	.215*	.688**	-.109	.392**	.412**	1
	Sig. (2-tailed)	.000	.037	.000	.294	.000	.000	
**. Correlation is significant at 1% significance level*. Correlation is significant at 5% significance level.								

Regression analysis was performed to reveal the effect of predictors on outcome variable. As represented in the Table 5, the independent variables of the model collectively explain 72% (0.72) of the variation in the outcome variable. It is evident from the Table 6, all the predictors are strongly predicting the outcome of the regression and the model seems fit to elucidate the relation between the variable set. In the present model, researchers have used independence of IA, competence of IA teams, management support, size of IA staff, relationship of internal and external auditors and experience as independent variables and effectiveness of IA has been taken as dependent variables.

Table 5: Durbin Watson Test Model Summary

Model	R	R square	Adjusted R square	Std. Error of the Estimate	Durbin-Watson
1	.848 ^a	.720	.700	.47642	1.782

a. Dependent Variable: Effectiveness of Internal Audit

b. Predictors: (Constant), Competency, management support, size of IA,Independency, Experience, relationship

Table 6:ANOVA^a

Model	Sum of Squares	DF	Mean Square	F	Sig.
Regression	50.679	6	8.447	37.213	.000 ^b
Residual	19.747	87	.227	Residual	
Total	70.427	93			

a. Dependent Variable: Effectiveness of Internal Audit

b. Predictors: (Constant), Competency, management support, size of IA, Independency, Experience, relationship

It is observed from the Table 7 that among all the independent variables, ‘Independency of Internal Audit Team’ and ‘Relationship between Internal and External Auditors’ and ‘Competency of the Internal Audit Team’ are the major predictors and one unit rise in these predictors is determining 0.45, 0.35 and 0.21 units rise, respectively, in outcome variable. One unit rise in the variable ‘Experience of Internal Audit Team’ is predicting 0.15 units rise in dependent variable. Contrary to rest of the predictors, the variable ‘Size of the Internal Audit Team’ is predicting negative variation in dependent variable. A unit rise in the ‘Size of the Internal Audit Team’ is predicting 0.15 units decrease in the dependent variable.

Table 7: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.544	.261		2.082	.040

Independency of IA team	.368	.059	.455	6.253	.000
Experience of IA	.151	.064	.158	2.362	.020
Relationship of IEA	.301	.072	.321	4.178	.000
Competency	.121	.035	.211	3.411	.001
Management support	.041	.040	.067	1.021	.310
Size of IA staff	-.093	.041	-.151	-2.289	.024
a. Dependent Variable: Effectiveness of IA					

V. Discussion and Interpretation of the Findings

Independence is basically treated as base of 'Internal Audit Effectiveness'. As suggested by Cohen & Sayag (2010), Effectiveness of IA cannot be perfectly realized without the independence of IA. The results revealed that there is positive correlation of Independence of IA with the Effectiveness of IA in BGRS public sectors at 1% significance level and the magnitude (β) of the effect was 0.368 with t-value of 6.253. This positive sign with t-value surpassing 2 indicate a significant association among the variables in the model (Hair et al., 1998). More often Independence IA team gets a boost when there is smooth communication between internal auditors and board of directors (IIA, 2011). But such direct communication must also be practicable. IA effectiveness can be improved through conducting meetings between internal auditors and audit committee regularly (Tadiyos, 2016). To assess such a case 6 participants were asked to give their response. As all participants mentioned, "The presence audit committee in BGRS is simply for fulfilling criteria. That means there is no any tangible activity done till now in the region by audit committee effort. Also there is very weak follow up by managements". The other determinant of IA effectiveness is the report addresses. According to IIA (2010) to whom the department makes the report functionally can be a sign of independence as well as its place in the firm. The IA director can make a report to BOD and senior manager in different positions (IIA, 2009; IIA, 2010; Yee, et al., 2008). In relation to this, participants were asked the extent of the discussion and review of audit reports with the report addressee; and whether they include every finding in their audit reports without any influence. Majority of the participants disagreed that they addressed the audit reports without any influence. In addition, they discussed with those bodies in regard of the audit findings.

In addition, the key informants added as: "Majority of the internal auditors in BGRS is assigned on internal audit passion without qualification and specified criteria and therefore, had no the ability to include any finding in their report without any bias or restrictions. Rather they perceive as no one have the right and ability to include every finding in their report without permission of manager. Therefore they refused to report faults, frauds, and misappropriation with fear of dismissal". On the other hand, Sawyer (1995) argued that basically expecting

complete independence is impossible goal rather respecting the profession of auditors by any higher officials and avoidance fear in the side of auditors is needed. Most of the time, because of the fear of dismissal from working place, an internal auditor does not decide on the issues independently and confidently. As of Institute of Internal Auditors, IA director can be approved or removed by top level management with higher participation of the board (IIA, 2011). To this regard, one participant comment as follow: "In this cause the managers at different level are the most aggressive in BGRS public sectors over internal auditors if they try to report properly their audit funding and raise the issue as agenda on different meeting and if there is any fault which is the means of evaluation for that manager or others in that organization. In my many years of experience in public sectors particularly in different woreda and zone of BGRS, I have seen so many IA dismissal and demotion from their position in to store keeper and other low level position because of identifying reporting faults, frauds, and misappropriation of asset".

Thus, the above stated results contrast with internal audit guidelines, rules and regulations as well as different researcher's suggestions. Internal auditor should be at ease to report findings, feedback and appraisals and free to disclose them internally (IIA, 2011). All the key informants said that Internal auditors lack full access to all the required information. Since, no one have a chance to audit their managers activities even if there are different faults and frauds done secretly by manager with external officer because, ironically, some have negligible knowhow about management activities are audited and as has to be audited. To support this one participant comment included as "most of internal auditors not read any internal audit guidelines which deals about role of management and different higher officials and don't know the purpose of senior management audit and how to process the audit in manager office. Therefore they expect as it is not possible." Also key informant suggests that "All activities of the internal audit department shall act independently without any influence in the firm such as audit selection procedure, regularity, and timing of reports". Agency theory deals about the relationship of shareholders owner(s) with the top management (agent) (Adams, 1994). Incorporate form of organizations in which top management acts as an agent and manages the whole organization on behalf of its owners can use its authority for their own use or interests. Thus, it is unquestionable to employ an independent body which manages whole activities of the organization (Peursem&Pumphrey, 2005). Internal auditors are the representatives of Audit Committee and the Board of Directors to evaluate the top management performance. Therefore, the researcher accepts the hypothesis of the study that independence of IA is directly linked to the effectiveness of IA in BGRS public sector. Further, the result reveals that independence of IA play the highest critical role on the effectiveness of IA. It means the existence of effective audit committee, individual IA independence and organizational independence of IA have a tremendous influence on the 'Effectiveness of IA' in BGRS public sector.

According to Intakhan& Ussahawanitchakit, (2010); Bonner, (1990);Arelet al., (2005) and Tan & Zhang,(2011), the experienced auditors are expected to be effective learning from previous challenges and situations. It is strongly believed that the various judgments offered by experienced auditors can prove beneficial to the organization by acting as a key index for other performance measures such as auditing standards and in framing out the policies of the firm. Thus, as complexity of audit experience is growing, the audit experience has significant role to make suggestion on decision. The three hypotheses tested experience of internal auditor's positive relationship with the effectiveness of internal audit in BGRS public sectors. The result shows experience of internal

auditor's positively associated with the 'IA Effectiveness' in BGRS public sector at 5% statistical significance level. The magnitude (β) of the effect of this variable on the effectiveness of IA was 0.151 ($t=2.362$). More importantly, a strong correlation has been found between dependent and independent variables under study as indicated by positive sign with t -value of more than 2.

Similarly, different authors prescribed that management focuses more on feedback and judgments of experienced auditors group than those of non-experienced and also highly experienced auditors are preferred in terms of control and evaluation tasks that are assigned to them within different audit firms (Kaplan et al., 2008 and Arelet al., 2005). Thus, the fact indicates that the auditors should be entrusted to perform several tasks within an organization according to their experience. Thus the hypothesis 'there is a positive link between experience of internal auditors and effectiveness of IA in BGRS public sectors' was accepted. These results reflect, experience of internal auditors has a key role to play in IA effectiveness.

Competency generally refers to the quality of being adequately well qualified (physically or intellectually). The different forms of trainings are imparted to internal auditors for the accomplishment of competency. A competent internal auditor possesses sufficient skills that are required to prepare and present reliable audit report (Dessalegn et al., 2010 and IIA, 2010). The result shows competence of IA team positively associated with the effectiveness of IA function in BGRS public sectors at 1% significance level and the magnitude (β) of the impact was 0.121 ($t=3.411$). The plus sign with t -value surpassing 2 indicated significant association between the variables in the model (Hair et al., 1998).

Findings from 66.7% of key informants regarding competency of IA staff is also suggested as follow: "with particular reference to public sector, internal auditors' competency is one of essential factors to maintain effectiveness that can be improved through trainings and their development, as many of them try to be committed from their experience and knowledge, the training provided till is not enough. As a result, competency of internal auditors is below the standard". Competency is the main criteria responsible for audit effectiveness and so an internal auditor in absence of sufficient knowledge, skills as well as commitment can hardly be entrusted to produce reliable audit report (Gwilliam & El-Nafabi, 2002; Mihret & Yismaw, 2007 and Mulugeta, 2008 and Soh & Bennie, 2011).

One of the key informants commented as, "the competency of internal auditors has still not been improved much despite the government's continuous efforts of training initiatives to enhance know-how and skills of internal auditors. While communicating with trainers, we could identify some reasons such as: lack of knowledge of accounting specially auditing courses, unable to convert the knowledge they acquired from training directly to work, some of them lack of interest to follow up the training properly and lack of effective communication between audit committee. On other hand the trainee complain as the training provided is not adequate. Thus the competency level of BGRS public sectors is for sure below standard." The above idea confirmed with (IIA, 2006; Soh & Bennie, 2011 and Ahmad et al., 2009), it is basically the inability to provide quality trainings to internal auditors that mainly leads to low level of competency in internal auditors that consequently affects effectiveness of internal audit.

Overall audit coverage and audit quality can be improved through a sound communication among the auditors (internal and external) (Tadiyos, 2016). The result shows effective communication of IEA is positively related to effectiveness of IA in BGRS public sectors at 1% statistical significance level. The level (B) of the impact of this variable on the 'Effectiveness of IA' was 0.301 ($t=4.178$). These results reflect a significant relation among the variables (independent and dependent) under study. The audit director should effectively communicate with external auditors regarding sharing of information and coordinating activities for the sake of proper coverage and less errors and frauds (IIA, 2011). A good communication between the auditors can foster effectiveness of IA (Abu-Azza, 2012). However, 5 out of 6 (83.33%) participants reported poor communication between the auditors (internal and external).

Similarly one key informant's suggestion included as, "External auditors take our internal audit report with working papers at the beginning of their audit work. But they could not communicate further. Even, they fell in asking some processes in office. So we can say no effective communication between internal auditors and external auditors in public sectors of this region." Similarly, other key informants reported as: "the relationship between internal and external auditors is the most crucial factor that can never be denied to maintain 'IA Effectiveness' with particular reference to public sector." Moreover, internal auditors are more prone to an independence issue because they consist of staff in firm, but in case of external auditors, they hardly face such problems because they need to report to the Auditor General directly. Further, a good interaction between these auditors can also contribute to address any kind of mismanagement in the organization as internal auditors can offer many suggestions to external auditors that need immediate attention. Thus, the hypothesis 'there is a positive link between effective communication among auditors and effectiveness of IA in case of BGRS public sectors' is accepted.

VI. Conclusion and Recommendations

In public sector organizations where there exists a practice of effective internal audit, a host of areas can be improved sufficiently such as mitigating risk, improved financial control system, low level of irregularity in information for decision making, high public confidence on government and increased reliability in financial reporting. In this direction, the present study was focused to identify several factors affecting effectiveness IA function in BGRS public sectors and then examine the administrative systems that can lead public sector to work with 'IA Effectiveness'. Independence and experience of IA, competence of IA team and a good relation among auditors' group (internal and external) have together a strong force to facilitate 'IA Effectiveness'. Although previous researchers' finding show that there is significant influence and positive association of IA staff size and management support on 'IA Effectiveness' but this finding could not be traced in the present study.

The independence of internal auditor's subsidizing critical role on 'IA Effectiveness' in BGRS public sector. It means the existence of effective audit committee, individual internal auditor independence and organizational independence of IA has a significant effect on 'IA Effectiveness' in BGRS public sectors. Concerning stated facts, the main problems and challenges on effectiveness of IA in BGRS public sector are identified. The problems related with independence were: high limitation on freely reporting all report content and recommendation, no adequate protection of authority of IA, poor contact between head of IA and the board. Hence, the results reflect a positive

relation of IA independence with the IA effectiveness in study area understudy. Internal auditor's experience, Competency of IA staff and Internal and external auditor's relationship also has strong positive association and statistically significant with 'Effectiveness of IA' function in BGRS public sectors. Thus BGRS public sectors IAE approved when there are competent IA team, experienced IA those can support new auditors and that sectors through minimizing training cost, smooth and effective relationship of IEA or wise communication to do in collaboration rather than only focusing on fault finding. Therefore, it's unexpected to realize effectiveness of IA function; without competent IA team, experienced IA and independence of IA.

On the basis of the above findings, the researchers suggest some of the preventive points to overwhelm the determinants of IA effectiveness. These are mentioned as follows:

- ✓ There is an independency problem in BGRS public sectors. First of all the government is better to focus and do on independency of auditors. All government official and societies should provide a greater support in favor of auditors so that they can conduct audit in fair manner.
- ✓ Both new as well as experienced auditors should share audit teams in order to share experiences and impart on the job trainings whether explicit or implicit that can ultimately contribute towards cost reduction of trainings.
- ✓ To overcome the series problem of competency, conducting adequate training seasonally to upgrade auditor's knowledge and skill and merit based recruitment system should be preferred rather than favoritism in the organization.
- ✓ Technological innovations should also be emphasized on continuous basis that can strongly motivate employees to employ computerized auditing techniques.
- ✓ There should be smooth, work concern and knowledge sharing motive and effectual communication between the auditors' group (internal and external).
- ✓ Finally, the government should give due attention to Performance appraisal system so as to evaluate contribution of the employees to explore new career options and development of staff members in order to persuade them as well as increase their satisfaction with the present jobs.

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