Int J Acc Research (IJAR)
DOI: 10.12816/0039226

An Open Access Journal
Vol. 3 (2), 2017

Accounting Research
International Journal of Accounting Research

Research Article
Homepage: www.arabianjbmr.com
Arabian Group of Journals

THE ROLE OF INTERNAL AUDIT FUNCTIONS AND EMPLOYEE ATTITUDES ON FINANCIAL PERFORMANCE OF PUBLIC UNIVERSITIES IN ETHIOPIA EVIDENCE FROM PUBLIC UNIVERSITIES IN AMHARA REGION

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Abstract

The widespread characteristics of public sector governance need an effective internal auditing function to meet the demanding responsibilities required by stakeholders. Internal audit can help to improve governance processes by focusing on how values are established to ensure effective and efficient control and management of public sector entities. Thus, the purpose of the study was to establish how internal audit function and employee attitudes affect the financial performance of Public Universities in Ethiopia. The study focused in examining the relationship between the internal audit function and financial performance, the relationship between employee attitude and financial performance in Public Universities. The study adopted the quantitative research methodology employing a cross sectional research design. A population of 200 was selected from some selected departments of Gondar University, Wollo University, Daberatabor University and Debramarkos University using purposive sampling.The findings of the study revealed a significant and positive relationship between internal audit function and financial performance and between employee attitudes and financial performance in public Universities. The findings of the study support several previously conducted studies in that each factor examined had a moderate to high positive correlation with financial performance. In addition, the independent variables together explain about 61 percent change in financial performance of public Universities (R^2= .605). The study recommended that Public Universities should adopt strong policy measures on the variables of internal audit function which are risk management and internal controls and also aim at creating a committed work force for better financial performance.

Introduction

Background to the Study

In order to fulfill its wide range of functions, the public sector must satisfy a complex range of political, economic, social, and environmental objectives. This subjects it to a different set of external and internal constraints and incentives from those in the private sector, all of which affect its governance arrangements (International Federation of Accountants, hence after IFAC, 2013)). The main objective of public sector entities is to achieve outcome enhancing or maintaining the well-being of citizens rather than generating profits (IFAC, 2013). Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations (Institute of Internal auditors (IIA), 1999).The scope of internal audit should be to cover the systematic review, appraising and reporting on adequacy of systems of managerial, financial, operational and budgetary controls and their reliability in practice (ACCA, Internal Audit bulletin,1999).

Douglas (1988:25) defines the internal function as .an independent appraisal function established within an organization to examine and evaluate the effectiveness, efficiency economy of management's control system.'' He further described internal audit function, as a service to an organization that provides management with re-assurance that internal control systems are adequate for the needs of business and are operating satisfactorily. Financial Performance is variously defined and in this study, it is confined to how financial resources are controlled and utilized through efficient budget management and accountability to achieve organization goals. Performance is how competent, efficient, integrity and honesty the organizational members are at utilizing the existing resources and procedures to carry out tasks, duties and responsibilities and operations to achieve organizational goals, (Arvery and Murphy, 1998, Magaghan, 1987).

Employee attitude are non financial measures such as job satisfaction, employee commitment and psychological contracts (Kaplan and Nortion, 2010). Job satisfaction is a pleasurable or positive emotional state resulting from ones job or job experience, (Winter 2004). Employee commitment is the psychological attachment felt by the person for the organization, Meyer (Herscovitch, 2001). Despite the existence of trained and qualified staff, with internal audit function and employee attitude in place, public Universities charged with responsibilities of advising management on issues of policy and regularization compliance, accountability, financial reporting, safeguarding of assets, prevention of fraud and on economic and efficient use of resources (PFA,2003). However, Public Universities have continued to experience incidences of budget deficits, unpaid utilities, non compliance with policies and procedures and mismanagement of funds.

A healthy constructed internal audit function can play a vital role in the governance and accountability process of public sector institutions through their assessments on the effectiveness of key organizational controls, governance and risk management processes (Asare, 2009). In line with this notion, Ramamoorti (2003) confirmed that if properly conceived and implemented, the internal audit function can play a critical role in promoting and supporting effective organizational governance. Among other things, existence of a successful audit function in the sector is a basic requirement of sound governance and robust accountability. The internal auditing profession is very important for a country like Ethiopia where there are no many properly trained, qualified managers, accountants, and external auditors. Throughout the government (budgetary) and public enterprises, better internal auditing services are required to assist the members of the organizations in discharging their responsibilities (Wolderuphael, 1997).

In general, there is need for Public universities, to build a well committed human resource of high integrity, competent, reliable and dependable, responsible and trustworthy who observe rules and policies and adhere to internal audit function and aim at achieving organization goals(Coso 1998). Public Universities have continued to register financial mismanagement even when there are guidelines for the utilization of funds by for instance qualified Audit staff to advise management on issues of budget performance and financial accountability. This seems to put institutions at risk of financial inadequacy and therefore failure to operate as expected. There is also a clear absence of studies which bring out employee contributions of employee attitudes to financial performance in public Universities. Although most scholars agree that the role of internal auditing function in the public sector is compulsory, still there is lack of prior empirical studies on this issue in Ethiopian public universities. Hence, the intent of this study is to examine empirically the relationship between internal audit function, employee attitudes and financial performance in Ethiopian Public Universities.

Statement of the problem

The widespread characteristics of public sector governance need an effective internal auditing function to meet the demanding responsibilities required by stakeholders. Internal audit can help to improve governance processes by focusing on how values are established to ensure effective and efficient control and management of public sector entities. Such a value system requires an open government that is transparent in its dealings with a high sense of ethical behavior and fairness. The complexity of the public sector operating environment requires that the internal audit structural design, approach, practice and scope be reformed to ensure open, accountable and prudent decision-making within all public sector organizations (Asare, 2009).

As stated under The Institute of Internal Auditor (IIA,2006), to protect the public interest, every government requires independent audit activities providing a range of assurance and advisory services from financial attestation to performance and operational efficiency, whether using internal and external audit services, or through use of a form that combines the two. The institute furthermore stated that the absence of good governance structures and lack of adherence to basic governance principles increases the risk of public corruption, which is defined as the misuse of entrusted power for private gain. Most Public Universities have functional internal audit departments with well qualified staff, charged with responsibility of providing management with re-assurance that internal control systems are adequate and quality of services is in place (IIA, 2009). There is however, continued poor financial performance, where budgets are not followed, rules and regulations on the use of finances are not adhered to and there is massive unaccounted for funds (Audit General, 2011). This has put institution at risk of financial inadequacy, employee dissatisfaction and poor service delivery (Kaplan, 2010). In addition, in developing nations including Ethiopia there is lack of prior empirical studies on this issue. The intent of this study is therefore; to fill this gap by empirically examining the degree of relationship between internal audit functions, employee attitudes and financial performance in Ethiopian Public Universities.

Objective of the study

The general objective of this study is to examine the relationship between internal audit functions, employee attitudes and financial performance in Ethiopian Public Universities. Specifically it was intend to:

- ✓ Examine the relationship between internal audit function and financial performance in Public Universities.
- ✓ Examine the relationship between employee attitudes and financial performance in Public Universities.
- ✓ Establish the relationship between internal audit function, employee attitudes and financial performance in Public Universities.

Research hypotheses

The following section clearly puts hypotheses based on the existing theoretical and empirical literature. This paper explores whether and to what extent the main finding of the research literature – that is performance of Public Universities can be explained by those variables. To answer this question the following research hypotheses are developed and with the help of sufficient and appropriate empirical data, this study will test the following three hypotheses:

- ✓ $H_{1:}$ *There is significant relationship between* internal audit function *and* financial performance of public universities.
- ✓ $H_{2:}$ *There is significant relationship between* employee attitudes *and* performance of public universities.
- ✓ H_3: *There is significant relationship between* internal audit function, employee attitudes *and* financial performance of public universities.

Significance of the study

This study seeks to be significant for government policy makers and regulators to measure to what extent the rules, regulations and policies put into practice. For the internal auditors/departments, it will help to know the requirements to fulfill as a profession. Aligned with the sectors being audited, it make use of understand their responsibilities on the subject of the role of internal audit function. The study findings will help the Institutions under study and others in Formulating appropriate internal audit function and employee attitude policies that will help in enhancing better financial performance. The study findings will be an addition to the already existing knowledge especially in the field of internal audit function, employee attitude and financial performance of organizations. The results of the study will help the future researchers especially those who will be researching in a similar area of internal audit function, employee attitude and financial performance of organizations as they will use it as literature review.

Literature Review

This chapter will cover critical review of literature by other scholars and writers in relation to internal audit function, employee attitudes and financial performance of organizations.

Internal Audit function

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations (IIA, 2002). It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (Collier, etal, 1991). With this description forming a foundation, the essential characteristics of an effective internal audit function can be framed. (Kathrine, 2001) established that the following elements as key. According to Institute of Internal Auditors (IIA, (1999), internal audit is an important part of the corporate governance structure within an organization. Corporate governance includes those oversight activities undertaken by the board of directors and audit committee to ensure the integrity of the financial reporting process. Three monitoring mechanisms have been identified in the corporate governance literature. They are external auditing, internal auditing and directorships (Anderson et al, 1997; William, 2000) as well as the audit Committee (IIA, 2003).

Evaluating the internal audit function is to examine how well it can detect errors within an organization as well as fraud that have received greater emphasis (Rittenberg Anderson, 2006). The internal audit function is an important function that has been shown to add value and reduce detected errors by external auditors (Godwin, 2003; Carcello, 2005). Farber (2005) observed that the objective of internal audit function is to improve on the effectiveness of risk management, control and governance. Nestor (2004) observed that internal audit function is taken to be an important governance tool to protect corporations from internal criminal behaviour. Further, the professional literature suggests that internal audit is a vital tool in fraud detection when assets are misappropriated by employees or outsiders (Carcello et al, 2005; Rittenberg and Anderson, 2006).

Internal Control

COSO (1998) defined internal control as management procedures designed to ensure efficiency and effectiveness in operations, to improve management decision making, to protect resources, ensure maintenance and reporting of reliable information, and enforce execution of operations in a manner that is consistence with management policy. . It is further argued that internal controls are designed to ensure that a ministry, agency or department carries out its required function effectively and efficiently, that its financial reporting, is reliable and complies with relevant laws and regulations (Policy belief, 2004). It further states that for most countries, such internal controls are focused on controlling allocation of spending, accounting procedures and financial statements. The components that make up internal control process include control environment, risk assessment, control activities, sound information and communication system and monitoring (Serens and de Beeelde, 2004). *Control environmen*t provides an atmosphere in which people out their control responsibilities and serves as foundation for other components. Management *assesses risk* with the environment to achievement of specific objectives. *Control activities* are implemented to ensure that management measures to control risks are carried out. Meanwhile relevant *information* is captured throughout organization and the entire process is monitored and modified as conditions warrant.

The responsibility of establishment of an internal control frame work lies with management and the board, In addition management has to ensure implementation, monitoring, and a constant review of their adequacy. The internal audit committee is fundamental to this exercise (Barret, 2001). Among the objectives of internal audit function is to is to ensure that there are appropriate controls, reliability of information systems, and efficient use of resources McAvoy, 1977 (as cited in Hung and Han 2004). Thus internal control system cannot function well without internal audit. Internal control depends on people; therefore these people must know their responsibilities and limits of authority. Therefore linking internal control with their duties and responsibilities and organizational objectives (IIA, 2000) is crucial. Controls can break down because of human action or technological failure, deliberate or plausible management override, necessitating constant review of the controls if objectives are to be attained.

Risk Management

Risk is a possibility that managers experience adverse consequences from decisions made in face of uncertainty interfering with achievement of objectives or not successfully exploit opportunities that become available Lindolf 1998 (as sited in Dalgeisha and Cooper 2005, and Wayne 2000) . According to Country Financial Accountability Assessment (2003), Financial Management risk is the probability that public financial management systems will not provide appropriate management of all public funds. Risk is inherent in the decisions that organizations take to manage business and in the business processes established to assist in establishment of objectives (Institute of Chartered Accountants, 2000). Risk covers all aspects of organizational activities and is included in all management levels (Tcchankov, 2002).

Risk management is a fundamental element of cooperate governance which demands that boards respond to new challenges, by putting in place measures to systematically and thoroughly identify, analyze and control risks (Dalgeisha and cooper, 2005). According to Barret, 2001, risk management is referred to as a process designed to reduce the risk of an event in terms of its likelihood of occurrence and, or its consequences to an acceptable level. It is a disciplined approach to the identification, analysis and mitigation of risks, which could prevent or inhibit an organization from achieving its objectives (ANAO Report no.1, 1997). Risk is a continuous process that depends directly on the changes in the internal and external changes of the organization. It involves management of potential opportunities and possible threats to the achievement of objectives.

Budget Performance

Performance budgeting is an integrated annual performance plan and annual budgeting that shows the relationship between progamme funding levels and expected results. It indicates that a goal or a set of goals should be achieved at a given level of spending. Performance budgeting identifies the relationships between money and results, as well as explaining how those relationships are created. A programme for support, in addition to estimating activity costs (Kydland & Prescott, 1977).

Financial performance plans frequently depicted a relationship between program activities and performance goals that, while consistent will cover program activities, failed to translate into funding justification. Gonhasa (1994) noted that a proper school budget should show all activities the school intends to do in the following year; such as purchase of constructional materials, feeding of students, payments of salaries and allowances to lecturers, administrators, support staff income generating activities, if any and capital development expenditures. This points a budgeting paradigm, which is a basis of establishment of financial performance measures. These measures act as a guide of what the institution feels important, and how well it will reflect good financial performance. Budgeting process should be participatory. Ndiwalana (2009),argued that the act of participating in budget process serves as a function by inducing employees to accept and commit to their budgeting goals(Merchantile, 1981).He further argued that when employees participate in budgeting, it will result into reduced costs, improved motivation and job commitment and therefore enhance performance.

Financial Accountability

Literature depicts accountability as a statutory obligation, a a legitimate requirement, an emergent system of control, central to the to the functions of financial reporting, embodying the relationship between principle and agent, at the core of accountable management, and the key to responsible government (Degeling, Anderson, & Guthrie, 1996). There is financial accountability, managerial accountability, and professional accountability.In particular, financial accountability can be assessed by value for money and the fact that individuals accept personal responsibility for their actions in terms of the quality of their outputs and decisions (Brown, 1998). It is a state of being accountable subject to the obligation to report, explain and justify something.

The 1966 Webster’s International Dictionary defines it as “being responsible and answerable”. This performance indicator is concerned about ensuring that money given to people is spent according to the budgeted items and to the predetermined activities using the set rules (Day and Klein, 1987).For a non-profit making organization such as public universities, Hay and Engston (1987) noted that financial accountability means being accountable to the public. This, according to these authors, calls for management consciousness while carrying out their activities to ensure that jobs are done effectively. It also means financial responsibility/operational efficiency as demonstrated in the spirit of transparency and openness with respect to spending incoming resources on meeting the institution’s objectives (Alexander and Britton, 1993; Brody, 2001; day and Klein, 1987; Malinga, 2002; Bothwell, 2001; Cox, 2000).

Conceptual Framework

The conceptual framework is based on two major independent variables that influence the financial performance of public universities. These are internal audit functions and employee attitudes. The framework shows that the manipulation of the independent variables will lead to more or less financial performance of public universities.

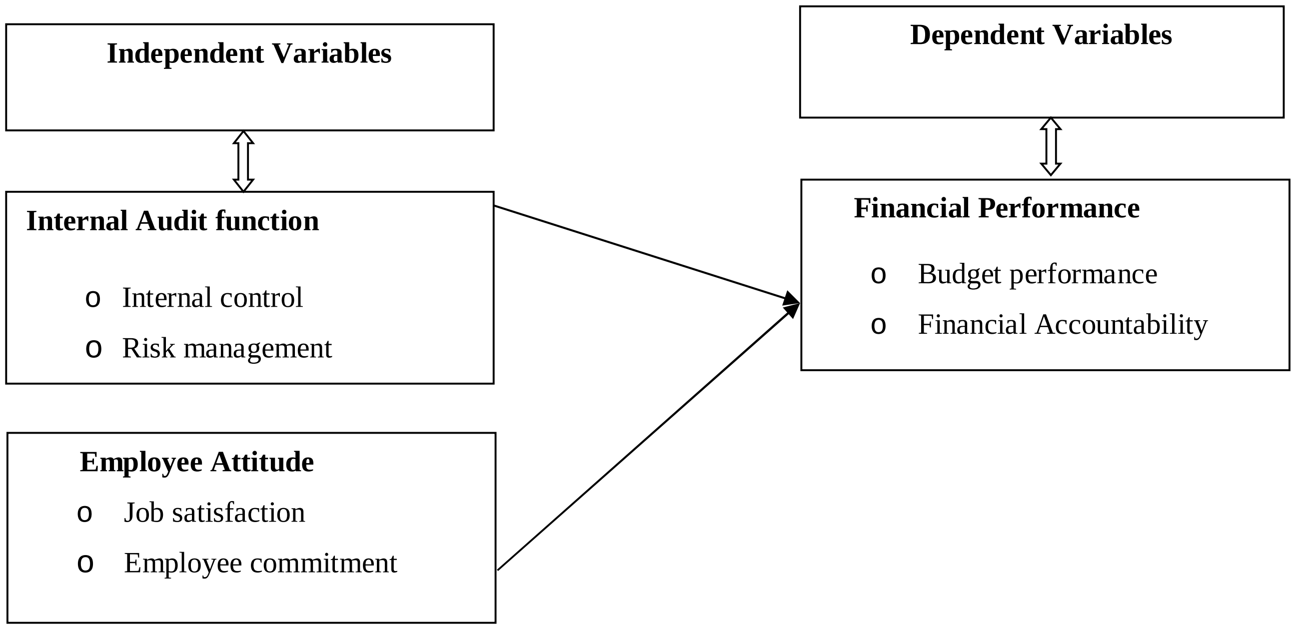

Figure 1: Conceptual framework

Research Methodology

This chapter discusses the methodology to be used to assess the relationship between internal audit functions, employee attitudes and financial performance in Ethiopian Public Universities. It includes research design, sampling strategy, method of data collection, questionnaire design, method of data analysis and model specification.

Research design

The study adopted a cross sectional survey design where both qualitative and quantitative methods of data collection and analysis would be used. The respondents would be selected from different Departments that include; University management, Purchasing, Finance and Internal Audit in each university.

Sample selection and size

The survey population consists of all Administrative staff of four Public universities namely Gondar University, Wollo University, Daberatabor University and Debramarkos University. Due to time and resource constraints, the study considered only a population of 200 respondents of Administrative staff from selected departments that is University management, Purchasing, Finance and Internal Audit . The sample size is 200 selected based on purposive sampling. That means respondents would be selected with regard to the individual's ability to provide the types of information sought through each research instrument.

Measurement of variables

Internal audit function is measured based on balanced scorecard approach (Ziegenfuss 2000). This method emphasized alignment of an internal audit department's objectives and activities with that of larger organizations (IIA, 2009). A five point Likert scale ranging from "Strongly Agee" to "Strongly Disagree " would be used. *Employee attitude* would be measured using 11 items adopted from an instrument developed by Armstrong and Baron (2007). For instance, respondents would be asked to indicate their opinions on items such as, "I receive adequate recognition for my contribution". A five point Likertscale ranging from "Strongly Agree" to "Strongly Disagree" is used. *Financial performance* vested in budget performance and accountability would be measured with already established instruments measuring identified factors developed by Hui et al, (2003). A five Point Likert Scale ranging from "Strongly Agree" to "Strongly Disagree" would be used.

Research instruments for data collection

The study used self-administered questionnaire as research instruments. Both open and close ended questions are designed for each category of respondents. Administrative staff filled a self-administered questionnaire. The questionnaire contained both structured and unstructured questions. The self-administered questionnaire enabled the researcher reach a large number of respondents in a relatively short time. A self-administered questionnaire also helped generate reliable data. This is because respondents filled it in their own mood, without being affected by the researcher's presence.

Data collection Methods

Data would be collected by principal Researchers and Other research assistants (Data collectors). The questionnaires are then administered to administrative staff. This would be done after soliciting for each respondent's willingness and cooperation in filling in the questionnaires. The respondents would be asked to answer all the items in the questionnaires. The respondents would be asked to answer all the questions in the questionnaire and are allowed the time they needed to answer fully. Those who had not completed answering as agreed would be prompted through telephone calls and physical reminders. The filled questionnaires would be then collected and compiled for data analysis.

Data analysis

The data collected would be checked and edited for completeness and accuracy. The data would be then analyzed using the statistical package for social scientists (SPSS). Descriptive and inferential statistics are also used. Cross tabulation would be used to describe sample statistics. Rotated component factor analysis would be used to establish how items loaded on study variables, Pearson's correlation matrix would be used to seek relationships between study variables, and Multiple Regression would be used to find out the variable with most influence on the dependent variables.

Model Specification

It is important to note that financial performance of Public Universities depend upon internal audit functions and employee attitudes. The following model is formulated to measure the impact of internal audit functions and employee attitudes on financial performance of Public Universities. The effects of internal audit functions and employee attitudes on financial performance of Public Universities are modeled using the following equations to obtain the estimates. According to Kothari (2004), regression analysis is concerned with the study of how one or more variables affect changes in another variable. To test the hypotheses of the study, the following models are used to analyze the relationship between the variables.

First Model

The first hypothesis test model; the relationship between internal audit functions, employee attitudes and financial performance in Ethiopian Public Universities. In the first regression model, internal audit functions and employee attitudes would be regressed against the Budget performance as follows.

$$BP = \beta o + \beta 1\ RM + \beta 2\ IC + \beta 3\ EC + \beta 4\ JS + + \acute{\varepsilon}$$

Second Model

The second hypothesis test model; the relationship between internal audit functions, employee attitudes and financial performance in Ethiopian Public Universities. In the second regression model, internal audit functions and employee attitudes would be regressed against Financial Accountability as follows.

$$FA = \beta o + \beta 1\ RM + \beta 2\ IC + \beta 3\ EC + \beta 4\ JS + + \acute{\varepsilon}$$

Where,
BP denotes the Budget performance, FA is Financial Accountability; RM is risk management,
IC is internal control, EC is employee commitment, JS is job satisfaction and β0, β1, β2, β3, β4 are the regression model coefficients.

Data analysis and discussions

Introduction

This chapter presents the result of the study in four subsections. The first section presents the result of demographic information and information on return rates of questionnaires sent to respondents. The second part of the chapter presents test of OLS multiple regression assumptions related to this study. The third part presents test of research hypotheses, and the forth part presents discussion of results.

Descriptive Statistics

A total of 200 questionnaires were distributed to Administrative staffs from selected departments that are University management, Purchasing, Finance and Internal Audit. The descriptive measures of response rates are presented in Table 1.

Table 1: Response rate

Respondents Department	Questionnaires Distributed	Questionnaires Returned	Response Rate
University management	**80**	**65**	**81.25%**
Purchasing	**40**	**30**	**75.00%**
Finance	**70**	**55**	**78.57%**
Internal Audit	**10**	**10**	**100.00%**
Total	**200**	**160**	**80.00%**

To show the demographic characteristic of the sample, cross tabulation and frequency distribution were used to indicate the variations of respondents by sex, age group, level of Education and year's worked. The results were arrived at through a frequency table shown in table 2 below.

Table 2: Demographic characteristic of respondents

No.	Variable		Number	Valid percentage
1	Sex	Male	**120**	**75**
		Female	**40**	**25**
2	Age Group	Below 25	**12**	**7.5**
		25-40	**78**	**48.75**
		40-65	**65**	**40.625**
		65 and above	**5**	**3.125**
3	Level of Education	Diploma	**40**	**25**
		Bachelors	**95**	**59.375**
		Masters and above	**25**	**15.625**
4	Years worked in the Organization	Less than 1 year	**15**	**9.375**
		1-5	**45**	**28.125**
		6-10	**94**	**58.75**
		10 and above	**6**	**3.75**

The above table showed that the male component with the majority percentage of 75% while the female component is only 25%. This is because in public universities male employees are morethan female employees. The results indicate that most respondents are between age group of 25-40 with 48.75% while those with age group above 65 years have lowest rate of 3.75%. Respondents with bachelor level of education are more than those of master level with 59.375%

and 15.625% respectively. This is because the majority of employees at public universities are at bachelor level. The above table indicates that the majority of respondents have worked for 6-10 years with 58.75% while those of 10 years and above have 3.75%.

Pearson's Correlation

Before proceeding to regression analysis, correlation analysis is made to investigate the relationship between variables. Correlation matrixes were used for association analysis to determine whether multicolinearity exists among variables. The correlation analysis includes dependent variables such as Financial Accountability and Budget Performance and independent variables such as Internal Control, Risk Management, Employee Committee, Job Satisfaction,

Table 2. Correlation Analysis between Internal Audit and Financial Performance

Particulars	INC	RM	FA	FP
INC	1			
RM	.376*	1		
FA	.341**	.639**	1	
FP	.486**	.459**	.340*	1

Note: *. Correlation is significant at the 0.05 level (2-tailed), **. Correlation is significant at the 0.01 level (2-tailed).

Table 2 above shows the correlation coefficient among variables under the study. As expected, Financial Accountability and Budget Performance are significantly and positively related with Internal Control and Risk Management at a significant level of 0.01. Multicollinearity indicates a problem in multiple regression analysis. When the independent variables have a high probability of correlation, the regression coefficient becomes less reliable and confidence in the accuracy of the equation is questioned. A general rule is that if a correlation between any two variables is greater than or equal to 0.70, then a high degree of interrelation can be inferred and the possibility of multicollinearity exists (Kieu, 2004). As it is shown in the correlation matrix above, the correlation coefficient among dependent variables and independent variables are less than 0.7 which implies multicollonearity does not exist. In addition, the results in table 2 indicates that there is a significant positive relationship between internal control and financial accountability (r =.341, p 0.01). This means that the more the internal controls, the more the Financial Accountability. The results also indicate that there is a significant positive relationship between risk management and financial accountability (r= .639, p 0.01). This means that the more the risk management, the greater the financial accountability.

The results in table 2 above also indicate that there is a significant positive relationship between internal controls and budget performance(r =.468, p 0.01). This means that the more the internal controls, the better the budget performance. The results also show that there is a significant positive relationship between Risk Management and Budget Performance (r = .459, p 0.01). This means that the higher the risk management, the better budget performance.

Table 3. Correlation Analysis between Employee Committee and Financial Performance

Particulars	EMC	JOS	FA	FP
EMC	1			
JOS	.366*	1		
FA	.441*	.569*	1	
FP	.476**	.659**	.436**	1

Note: *. Correlation is significant at the 0.05 level (2-tailed), **. Correlation is significant at the 0.01 level (2-tailed).

The relationship in table 3 above indicates that there is a significant relationship between employee commitment and financial accountability. This means that financial accountability is a major determinant of employee commitment. The results from Table 3 indicate that there is a significant positive relationship between job satisfaction and financial accountability (r = .569 p 0.5.). This means that the more the job satisfaction the better financial accountability practices. The results also indicate that there is a significant positive relationship between Employee Commitment and financial Performance (r = .476,p 0.01). This means that the more the employee commitment, the better the budget performance.

The results also show a significant positive relationship between job satisfaction and budget performance(r = .659, p 0.01). This means that the higher the job satisfaction the better the budget performance.

Multiple regression analysis

Multiple regression analysis was used to study the influence of the independent variables on the dependent variables. The independent variables are Internal Audit Function which is comprised of Internal Control and Risk Management and Employee Attitude which includes Employee Commitment and Job Satisfaction. The dependent variable is financial performance which is comprised of Financial Accountability and Budget Performance.For the model, financial performance was used as the dependent variable and independent variables included Internal Audit Function which is comprised of Internal Control and Risk Management and Employee Attitude which includes Employee Commitment and Job Satisfaction.. The relationship between dependent variable and independent variables, and results of testing significance of the model has been respectively interpreted. In interpreting the results of multiple regression analysis, three major elements considered such as the coefficient of multiple determination, the standard error of estimate and the regression coefficients (Emory, 1985; Davis, 1996; Lehmann, Gupta, and Steckel, 1998). These elements and the results of multiple regression analysis were presented in Table 4 below.

Table 4 reveals that public universities financial performance (comprised of Financial Accountability and Budget Performance) and Internal Audit Function which is comprised of Internal Control and Risk Management and Employee Attitude which includes Employee Commitment and Job Satisfaction are significantly correlated with the correlation coefficient R = 0.78. Table 4 also reports the model of public universities financial performance with the coefficient of determination R^2 = 0.608 at a significant level of p = 0.0001. The coefficient of determination indicated that 60.8% of the variation in public universities financial performance can be explained by the changes in Internal Control, Risk Management, Employee Commitment and Job Satisfaction while 39.2% remains unexplained. In addition, Table 4 reports the summary ANOVA (analysis of variance) table and F statistic, which reveals the value of F (**37.688**), is significant at the 0.0001 level. The value of F is large enough to conclude that the set of independent variables (Internal Control, Risk Management, Employee Commitment and Job Satisfaction) as a whole was contributing to the variance in financial performance.

Table 4:- Internal Controls, Employee Attitude, and Financial Performance(Regression Model)

Model	**Unstandardized coefficients (B)**	**Std Error**	**Standardized coefficients (Beta)**	**T**	**Sign**
Constant	1.458	.189		7.301	.000
Internal Control	.255	.063	.261	4.985	.000
Risk Management	.025	.064	.027	.371	.712
Employee Commitment	.224	.060	.249	3.770	.000
Job Satisfaction	.158	.063	.167	2.547	.011
R = .765	**R^2 =.605**			**R^2. adj = 0.591**	
Std. Error of the Estimate = 3.574					
F = 37.688					

Dependent variable: Financial performance

The results in Table 4 indicate that the independent variables have an influence of 61% on the dependent variable which is financial performance. Each of these variables has a significant prediction on the dependent variables. This means that for better financial performance, there should be effective internal controls and risk management and the employees of the university at different level should be committed. In summary, the results of multiple regression analysis in Table 4 revealed that financial performance of public universities was influenced by Internal Control, Risk Management, Employee Commitment and Job Satisfaction at the significance level of 0.0001, and 60.8 percent of variation in financial performance of public universities (R2 = 0.608) can be accounted for variance in Internal Audit Function and Employee Attitude.The result of the regression analysis for a test of hypothesis confirms that the four independent variables are significantly related to financial performance of public universities. The result of hypothesis testing for individual independent factors was summarized as follows.

Hypothesis	Result of the Finding
There is significant relationship between internal audit function and financial performance of public universities	Supported
There is significant relationship between employee attitudes and performance of public universities	Supported
There is significant relationship between internal audit function, employee attitudes and financial performance of public universities	Supported

Conclusion and Recommendation

This chapter provides a discussion of findings in chapter four in respect to the objectives of the study and reviewed literature. It is subdivided into three sections; the first section focuses on the discussion of the study variables that is Internal Audit function, employee attitude and financial performance. The second and third sections constitute the conclusion and recommendations respectively.

Internal Audit function and financial performance

The Correlation analysis reveals a significant positive relationship between Internal Controls and financial accountability. The findings confirm to assertions by IIA, (2001) which states that internal control provides a foundation for accountability in governmental organizations. It is further argued that internal controls are designed to ensure that a ministry, agency or department carries out its required function effectively and efficiently, that its financial reporting is reliable and complies with relevant laws and regulations It further states that for most countries, such internal controls are focused on controlling allocation of spending, accounting procedures and financial statements.

The correlation analysis also reveals that there was significant relationship between internal control and budget performance. This indicates that budget performance is a major function of internal controls. According to COSO(1998), internal controls are a means by which an organization’s resources are directed, monitored and measured. It plays an important role in preventing and detecting fraud and protecting organization’s resources both physical and intangible. The correlation analysis also reveals a significant positive relationship between risk management and financial accountability. According to Country Financial Accountability Assessment (2003), Financial Management risk is the probability that public financial management systems will not provide appropriate management of all public funds. Therefore to manage risks, accountability should be done. The correlation analysis results also revealed a significant positive relationship between risk management and budget performance. Risk management is a disciplined approach to the identification, analysis and mitigation of risks, which could prevent or inhibit an organization from achieving its objectives. Since budgeting is a planning and a control measure, when done properly, the risks are managed.

Employee Attitudes and Financial Performance.

The correlation analysis reveals a significant positive relationship between job satisfaction and financial accountability. This means that when employees are satisfied with their jobs, they are more vigilant in meeting financial accountability obligations. The findings confirm the assertion by Kaplan and Nortion, (1994), that non financial measures like job satisfaction are better predictors of financial performance than traditional financial accounting measures.The correlation analysis results reveal no significant relationship between employee commitment and financial accountability. The findings confirm the assertion by (Mowday,et al,1982), that employee commitment is more of an attachment to the employing organization as opposed to specific tasks, environmental factors and location where the duties are performed.

The correlation analysis also reveals a significant positive relationship between employee commitment and budget performance. Ndiwalana (2009),argued that the act of participating in budget process serves as a function by inducing employees to accept and commit to their budgeting goals(Merchantile, 1981).He further argued that when employees participate in budgeting, it will result into reduced costs, improved motivation and job commitment and therefore enhance performance. The Correlation Analysis results also reveal a significant positive relationship between job satisfaction and budget performance. Since job satisfaction is a pleasurable emotional state resulting from appraisal of one’s job (Winter, 2004), a well planned budget which has achieved organizational goals can make employees happy and therefore satisfied.

Internal Audit function, Employee Attitude and Financial Performance.

From the multiple regression analysis, the independent variables of internal audit functions and employee attitudes explain 61% of the dependent variable, financial performance, in public universities. The remaining percentage of 39% is explained by other factors. Further to this, results of multiple regression analysis indicate that risk management is the most influential factor in ensuring financial performance. This result agree with the assertion that risk management is a fundamental element of cooperate governance which demands that boards respond to new challenges by putting in place measures to systematically and thoroughly identify, analyze and control risks (Dalgeisha and Cooper, 2005). Effective Risk Management can minimize risk and cost of maintaining company performance (tarponline net, 2010).

Risk management is followed by internal controls both variables of internal Audit function.This also confirms the assertion that effective controls reduce the risk of asset loss and helpensure that plan information is complete and accurate, financial statements are reliable andaws and regulations are complied with (AICPA 2010). Internal control is a means by whichorganizations resources are directed, monitored and measured. Internal Control objectives recite to the reliability of financial reporting, timely feedback on the achievement of operational goals, and compliance with laws and regulating (COSO, 1998). Under the variables of Employee attitude which is employee commitment and job satisfaction, the multiple regressions indicated that employee commitment is more influential on financial performance than job satisfaction in public universities. This is because financial performance alone does not derive satisfaction. This is supported by Assertion that committed workers devote time, knowledge and energy to fulfill their on the job responsibilities and hence organizational performance (Strovel, and Bonhs, 2002). Employee Commitment has a positive influence on knowledge generation and this knowledge can be integrated into systems and hence financial performance. An organization will sustain levels of strong performance if its employees are committed (Wright, Mahan, and Williams, 1994).

Conclusion

The purpose of the study was to access how the internal audit functions and employee attitudes affect financial performance in public university in Ethiopia with particular reference of Amhara Region. The study confirms a relationship between internal audit function and financial performance. The variables of internal audit function which are risk management and internal controls confirm a strong relationship with financial performance. This means that when risks are well managed, there are fewer obstacles to financial performance. Also when there are effective internal controls organizational objectives' are achieved among which is financial performance. The study also confirms a relationship between employee's attitudes and financial performance. When employees are committed at their work they raise high productivity and hence financial performance. Committed employees are self driven and are directed to organizational goal achievement.

Recommendation

The study results revealed that a relationship between internal audit function and financial performance. The variables of internal audit function which are risk management and internal controls confirm a strong relationship with financial performance. This means that when risks are well managed, there are fewer obstacles to financial performance. Also when there are effectiveinternal controls organizational objectives' are achieved among which is financial performance. It is therefore, recommended that, to undertake the full functions of internal audit and employee's attitudes as required by the public universities:

- Considering that the variables of internal audit function which are risk management and internal controls were very strong factors of financial performance in public Universities. Public Universities should come up with strong policies to manage risks and to make sure that there are effective internal controls for better financial performance. Internal audit staffs in Public Universities should be competent and sufficient through taking continuous professional training and internal audit departments should have clearly stated audit charters, since the presence of clear formal mandate states the authorities and responsibilities of the concerned parties involved in the role of internal audit function.

- Considering the fact that Committed Employees lead to organizational performance. The Public Universities should aim at creating a committed work force for better financial performance to achieve their goals effectively and efficiently.

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