

The Role of Internal Control, Internal Audit, and Institutional Responsibility
in promoting Good Governance: *The Case of Jimma Town Municipality*

*A Thesis Submitted to the School of Graduate Studies of Jimma University in
Partial Fulfillment of the Requirements for the Award of the Degree of
Master Public Management (MPM)*

BY

ABDO JEMAL AHMED



JIMMA UNIVERSITY

COLLAGE OF BUSINESS AND ECONOMICS

MPM PROGRAM

JULY, 2021

JIMMA, ETHIOPIA

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Under the Guidance of **Mr. Hagos Birhane**

and

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CERTIFICATE

This is to certify that the thesis entitles “The Role of Internal Control, Internal Audit, and organizational commitment in promoting Good Governance: The Case of Jimma Town Municipality”, submitted to Jimma University for the award of the Degree of Master of Master Public Management (MPM) and is a record of bona fide research work carried out by Mr. Abdo Jemal Ahmed, under our guidance and supervision.

Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.

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DECLARATION

I hereby declare that this thesis entitled “*The Role of Internal Control, Internal Audit, and organizational commitment in promoting Good Governance: The Case of Jimma Town Municipality*”, has been carried out by me under the guidance and supervision of Mr. Hagos Birhane and Mr. Abera Jaleta.

The thesis is original and has not been submitted for the award of any degree or diploma to any university or institutions.

Researcher’s Name

Date

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ABDO JEMAL AHMED

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TABLE OF CONTENTS

CONTENTS	PAGES
ACKNOWLEDGMENTS	i
TABLE OF CONTENTS.....	1
LIST OF TABLES	IV
LIST OF FIGURES.....	V
ACRONYMS	VI
<i>ABSTRACT</i>	VII
CHAPTER ONE	1
1.1 INTRODUCTION	1
1.2 Background of the Study.....	1
1.2 Statement of the Problem	2
1.3 Objective of the Study	4
1.3.1 General Objective of the Study.....	4
1.3.2 Specific Objectives of the Study.....	4
1.4. Research Questions.....	5
1.5 Significance of the Study	5
1.6 Scope of the Study	5
1.7 Limitation of the Study	6
1.8 Definition of Key Terms	6
1.9 Organization of the Research Report.....	6
CHAPTER TWO.....	7
REVIEW OF RELATED LITERATURE	7
2.1 INTRODUCTION	7
2.2 Definition of Important Terms	7
2.2.1 Governance.....	7

2.2.3 Good Governance	8
2.2.4 Monitoring.....	8
2.2.5 Control Environment	8
2.2.6 Risk Assessment	8
2.2.7 Information and Communication.....	9
2.3 The Direct Relationship between the three variables.....	9
2.3.1 Internal control and good governance.....	9
2.3.2 Internal audit and good governance	10
2.3.3 Organizational commitment and Good governance.....	14
2.4 Theoretical Frame Work	15
2.4.1 Internal Control.....	15
2.4.2 Internal Audit.....	16
2.4.3 Organizational Commitment	16
2.4.5 Good Governance	17
2.5. Empirical Review	17
2.6 Conceptual Framework of the Study	20
2.7 Variables and Measurement	21
CHAPTER THREE.....	23
RESEARCH DESIGN AND METHODOLOGY	23
3.1 Introduction	23
3.2 Description of the study area.....	23
3.3 Research Design and Strategy	23
3.4 Data Type and Sources	24
3.4.1 Sample Design, Method and Size	24
3.4.4 Respondents / Study Population	25
3.5 Data Collection Strategies and Instruments	25
3.5.1 Questionnaire.....	25

3.5.2 Interview	26
3.6 Method of Data Analysis	26
3.7 Validity and Reliability of the Research Instrument.....	26
3.7.1 Validity.....	26
3.7.2 Reliability	27
3.7.3 Validity Testing and Reliability Testing	27
3.8 Ethical Consideration of the Study	28
CHAPTER FOUR	29
4.1. Background Information of Respondents	29
4.2. Findings of Validity and Reliability Testing	31
4.3. Results of Descriptive Statistics	32
4.3.1 Internal control measures	33
4.3.2 Internal Audit measures	34
4.3.4 Corporate Governance Measures	37
4.4. Result of Inferential Statistics	38
4.4.1. Finding of Classical Assumption Testing	38
4.5. Result of Goodness of Fit Test	41
CHAPTER FIVE.....	46
SUMMARY, CONCLUSIONS & RECOMMENDATIONS.....	46
5.1. Summary of Major Findings	46
5.2. Conclusions	48
5.3. Recommendations.....	49
<i>REFERENCES</i>	
<i>APPENDIX I</i>	
APPENDIX - II: QUESTIONARE	
APPENDIX - III: INTERVIEW.....	

LIST OF TABLES

Table 1: Demographic Analysis of the Respondents

Table 2: Descriptive Statistics

Table 3: Proportion of positive statement of respondents on internal Audit measures

Table 4: Statements Regarding Good Corporate Governance, specifically concerning

Table 5: Validity & Reliability Statistics

Table 6: Sample characteristics (Normality Testing)

Table 7: ANOVA

Table 8: Summary of the regression output

Table 9: Regression Model Summary ^b

Table10: ANOVA ^a

Table 11: Coefficients

Table 12: Summary of the role of dependent variables to the dependent variable

LIST OF FIGURES

Figure 1: Conceptual Framework of Thinking

Figure 2: Proportion of positive statement of respondents on internal control measures

Figure 3: Proportion of positive statement of respondents on organizational commitment

Figure 4: Histogram

Figure 5: De trended and normal Q-Q plots

ACRONYMS

- ACCA:** Association of Chartered Certified Accountants
- ADF:** African Development Fund
- AFROSAI:** African Organization of Supreme Audit Institutions
- AG:** Auditor General
- AICPA:** Association of International Certified Public Accountants
- ASB:** Accounting Standards Board
- CA:** Chartered accountant
- CGR:** Corporate governance rating
- CIPFA:** The Chartered Institute of Public Financial Accounting
- COSO:** Committee of Sponsoring Organization of the Tread way Commission
- CPI:** Corruption Perception Index
- DAG:** Deputy Auditor-General
- HR:** Human Resource
- IA:** Internal Audit
- IAF:** Internal Audit Function
- IC:** Internal Control
- ICOM:** Information and Communications
- IIA:** Institute of Internal Auditor
- INCOSAI:** International Congress of Supreme Audit Institutions
- INTOSAI:** International Organization of Supreme Audit Institutions
- ISA:** International Standards on Auditing
- ISO:** International Standardization Organization
- JTM:** Jimma Town Municipality
- SAI:** Supreme Audit Institution
- SAS:** Statement on Auditing standard
- SPSS:** Statistical Package for Social Sciences
- SWX:** Swiss Stock Exchange
- TI:** Transparency International
- VIF:** Variance inflation factor

ABSTRACT

The main objective of this study was to assess the role of internal control, internal audit, and organization commitment in promoting good governance in Jimma Town Municipality. The independent variables are internal control, internal audit, and organization commitment. Meanwhile, the dependent variable is good governance. The study employed mixed research approach and cross-sectional research design. Purposive sampling method was employed to select respondents. The primary data were collected from service providers of Jimma Town Municipality, leaders, internal audit, finance, land, construction and human resource department's representative respondents from each hub using questionnaire and interview. Beside to this, document analysis was made to support the primary data. The data was analyzed quantitatively using tables, frequency, percentage, mean and standard deviation and qualitatively using explanations. The study found that, internal control, internal audit, and organization commitment has positive role for good governance at JTM. The reason for this positive result has inferred that the new administrative officials of the municipality were taken measures on hindrances of good governance and service provision practices such as, corruption, poor management, and accountability to establish institutional framework and mechanism to follow-up the implementation of good governance. The study finally recommended municipality to open their door for the participation of other stake holders, increasing the implementing capacity of the service providers in the institution through training, the necessity of using different mass media including the regional and local mass media for good governance issues, struggling against corruption in their run forward to achieve institutionalized good governance.

Keywords: *internal control, internal audit, organization commitment, good governance*

CHAPTER ONE

1.1 INTRODUCTION

In this chapter, the backbones of the study i.e. statement of the problem, objective of the Study, general objective, specific objectives, research questions, and significance of the -study, Scope of the study limitation of the study and organizations of the study has incorporated to describe, elaborate the elements in relation to the title ‘the role of internal control, internal audit and organizational commitment for good governance in Jimma Town Municipality.

1.2 Background of the Study

Due to globalization and advancement of technology around the world, the business and public and Private Corporation have experienced various limitations to reach their organizational objectives. Fraud, money laundering and terrorism activities affect the corporate mission and vision. Due to the technological advancement, company’s and corporations establish the strategies within and out of their organization including modern way of dealing with customers, provision of service, corporate social responsibilities and successful procedure of control system (Ndamenu K. Douglas 2011).

In Asia, Pratolo (2007) found that the effective internal control had positive link with good corporate governance at State Owned Enterprises in Indonesia. Again In Africa, (Arens, Elder, & Beasley, 2010). Mensah, Aboagye, Addo, and Buatsi (2003) found empirical evidence in Ghana that effective internal control improved good governance practices and decreased the corruptions.

In Ethiopia, Mihret and Yismaw (2007) concluded that internal audit services is limited to regular activities, and recommended that extending the scope of services by widening the range of systems and activities audited, with appropriate risk analysis would improve audit effectiveness. Furthermore, in their value-added role of IA study, Mihret and Woldeyohannis (2008) concluded that goals and strategies pursued and the level of risk faced by organizations to which internal audit provides service, appear to shape the attributes of a value adding internal audit department.

Montondon and Fischer (2005) have both asserted that the credibility of the internal audit function is significantly important especially in public entities as they are held responsible to diverse

stakeholders compared to private entities. The Institute of Internal Auditors, IIA (2004) recognizes the assurance and consulting role of internal auditors in corporate governance. Organizational commitment is “the aggregate internalized normative demands to perform in a manner which meets organizational objectives and interests” (Wiener, 1982). Committed employees show strong intentions to serve their organizations and are low at intentions to leave (Hunt and Morgan, 1994; Robbins and Coulter, 2003; now day, Steers, & Porter, 1982).

The International Federation of Accountants published a 2001 report entitled Governance in the Public Sector a Governing Body Perspective which states “Governance is concerned with structures and processes for decision-making, accountability, control, and behavior at the top of organizations.” Organization for Economic Cooperation and Development (OECD, 2004) has developed the following principles for implementation of good governance: fairness (fairness); (2) transparency (transparency); (3) accountability (accountability); and (4) responsibility (accountability).

1.2 Statement of the Problem

One of the areas of consensus reached by the world leaders in September 2000 in their Millennium Summit General Assembly of the United Nations conference for the Declaration of Millennium Development Goal was Democracy and Good Governance. That is why governance occupies a central stage in the development discourse and is considered as a crucial element to be incorporated in the development strategy (Abdellatif, 2003).

Ethiopia like any other African country has faced a number of challenges in democratization and good governance building processes. But in order to assure good governance, the three elements i.e. internal control, audit and organizational commitment should function properly.

Internal audit is an organization function with the duties to assess and evaluate all activities within the organization. Organizational commitment is defined as the individual relative power to identify his/her self (Mowday et al., 1979), It is categorized in three dimensions (Allen & Meyers, 1996).

The corruption perception index (CPI) 2013, compiled by the Transparency International covering 163 countries reveals that majority of the African countries in the index scored within the low range of 1.9 to 3.6. In contrast, majority of the European countries scored a high range of 7.4 to 9.6 transparencies. This corruption perception Index suggests a prevalence of corruption and fraud in

African countries and that matters Ethiopia. “Ethiopia ranks 111 in TI’s 2013 Corruption Index still Highly Corrupt” the report says. In 2014, Ethiopia’s rank in TI’s CPI was 110. The low score of good governance implementation and the high range of corruptions mean that there is no accountability in the government financial management.

Studies conducted by Opkara (2004) and Samad (2007) concluded that if workforce is satisfied with their job as well as the organizational environment i.e its colleagues, compensation, and leadership they will be more committed with their organization as compared to when they are not satisfied. Previous research on internal audit effectiveness on an Ethiopian public sector case study by Mihret and Yismaw, (2007) shows that internal audit's lack of authority on budgets reduces its control of resource acquisition and utilization, scope of internal audit services is limited to regular activities.

Both of these studies did not comprehensively examine with the role of internal control, internal audit and organizational commitment for good governances specifically. Therefore, in order to fill this research gap that arise as a result of lack of adequate in depth investigations on the research problem, the researcher proposed to undertake a study on the role of inter control, internal audit and organizational commitment for good governances in Jimma Town Municipality. According to the municipality management annual report in 2019/20 and discussions for future work plan, they emphasized on lack of good governance in the organization especially short listed departments like land, finance, transport etc. and even there isn’t any efforts and study done to improve good governance whether by the office or other researchers. Hence the researcher decided to study internal control system, internal audit function and institutional commitment in promoting good governance from personal initiative. Therefore from the researcher’s knowledge and search on web there isn’t any visible study on those variables in the municipality.

Therefore, since Jimma Town Municipality is a public service provider, it had been taken some complaints from the customer service. The primary reason that enforces me to conduct a research on the municipality is that the new city administration has taken a critical examination of the municipality and currently identified the problems related with inter control, internal audit and organizational commitment and good governance issues. Even though the municipality has internal auditor and internal control systems the municipality could not manage the increasing contingencies of corruption, bureaucracies and frauds of budget in the municipality. In the municipality there are 12 departments. Among these, the five vulnerable and highly exposed departments for mal-governance

and corruption that needs internal audit, internal control and organizational commitment. It includes construction department, land administration department, tax and revenue department, transport and human resource departments has selected purposively for this study. (2019/20 annual report of JTM).

Recently in January 2021 the municipality took external auditor and control personnel to clear the blurred income and expenditure documents. On the other hand the employees and customers complain on lack of good governance and the new leader of the municipality has also reported that there has not been an internal audit report for the last three years. Even there are seven cases handled by court and there are 15 employees prisoned in relation to corruption and mal-governance. Also the two banks in the town Abyssinia and Wogagen Bank has a documented custody with the two land administration workers who left the town last year and they are wanted in case of fraud money around 20 million birr (2019/20 annual report of JTM).

In Jimma Town Municipality there are some studies which focused on dry waste management but there were no such studies so far on good governance and its related factors. hence, the complains might have been arose due to weak internal control, internal audit and organizational commitment, having this in mind as the municipality actual situation, the researcher attempted to assess the role internal control system, internal audit function and organizational commitment for good governance in Jimma Town Municipality .

1.3 Objective of the Study

1.3.1 General Objective of the Study

The general objective of this study was assessing the role of internal control system, internal audit function and institutional commitment in promoting good governance in Jimma Town Municipality.

1.3.2 Specific Objectives of the Study

- To assess the practices of good governance at Jimma town Municipality.
- To assess the role of internal audit for good governance in Jimma Town Municipality.
- To examine the role of internal control for good governance in the Municipality.
- To examine the role of institutional commitment for good governance in the municipality.

1.4. Research Questions

1. What looks like the practices of good governance at Jimma town Municipality?
2. What is the role of internal audit for good governance in Jimma Town Municipality?
3. What is the role of internal control for good governance in the Municipality?
4. What is the role of institutional responsibility for good governance in the municipality?

1.5 Significance of the Study

This research would be important to the Jimma Town Municipality and to the public in general. It also has great importance to the Municipality to know whether the internal control system, internal audit functions and organizational commitment are relevant to the governance and to know the areas of weaknesses in integrating internal control systems, internal audit function and organizational commitment for governance thereby finding appropriate measures. The other beneficiaries of the study are Jimma town community (customers of each of the municipality departments) and researchers on the area, the researcher also can be an expert on the issue and benefit more. And the research is unique in its kind in the Municipality offer new insight or development into the governance of the Municipality and a source of inspiration for further research and narrows the gap of increasing demand for the resources in the topic.

1.6 Scope of the Study

For the purpose of this research, the scope was limited to only the study of the role of the three interacting elements of good governance. The scope of the study bounded to Jimma Town Municipality and its different departments from March to April in 2021. Many other determining factors of good governance left for interested and potential researchers. However, it can be argued that though the issues incorporated in this study believed to be adequate enough to answer the aforementioned questions, yet they meant not fully address the very deep and wide concept underlying organization wide integrated internal control system, risk management system, internal and external audit functions, good governance as well as the role of them.

1.7 Limitation of the Study

Conducting a research in a country like Ethiopia in general and in the regional governments in particular, is not an easy task and it may be very difficult to get relevant officials and personnel on time as most of them may enjoy issuing cheap excuses for being momentarily busy or “in a meeting” focusing on the sixth national election. And also absence of transparency, accountability and monopolistic nature of powers of the high-level officials in the JTM virtually make most issues secret, and obtaining the required information become virtually terrible. The time and resource constraint as well as getting timely responses for the designed questionnaire poses some impact on this research.

1.8 Definition of Key Terms

Good Governance: Governance has been variously defined as “the exercise of authority or control to manage a country’s affairs and resources” (Schneider, 1999).

Internal Control: Internal control consists of the organization planning that includes all methods used to safeguard the company assets, to insure the reliability of information, to support the efficiency and effectiveness of operations, and to insure the compliance with rules and regulations (Arens, Elder, & Beasley, 2010).

Internal Audit: Internal audit is an organization function with the duties to assess and evaluate all activities within the organization. This function is very important to provide and support all information in managerial decision-making process.

Organization Commitment: Organization commitment is defined as the individual relative power to identify his/her self into the organization (Mowday et al., 1979).

1.9 Organization of the Research Report

The research report organized in five chapters; chapter one, describes the background of the study, statement of problem, research objectives and questions, significance of the study and organization of the report. Chapter two contain key terms and relevant theories, presents relevant literature, conceptual model. Chapter three presented the methodology, research design, and area, and population, sample size, sampling technique, and data collection, methods of data analysis, validity and reliability of research instrument. Chapter four devote to the presentation of data and an analysis of results and findings. Chapter five presented the summary, conclusion, implications of the study, recommendation and suggestions for further research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION

In this chapter, literature germane critically analyzed to understand the role of internal control, internal audit and organizational commitment for good governance in Jimma Town Municipality.

The content of this review includes an evaluation of the literature addressing governance systems and the roles of each component of the three independent variables (internal control, internal audit and organizational commitment) within those systems. Understanding of their effect requires considering how performance of the variables have been traditionally defined by practitioners and academics.

The review is developed through a systematic search of the literature using searches of relevant databases and individual journals such as Managerial Auditing Journal, American Review of Public Administration, IIA, and the World Bank etc. And scanning cited references in papers and books, and inquiries of experts on the topic under discussion. Literature to be used in the review includes peer reviewed empirical research, theoretical or conceptual papers, and professional oriented articles and books. This last category is important because of the applied nature of the topic.

2.2 Definition of Important Terms

2.2.1 Governance

“Governance” refers to the structures and processes by which an organization is directed, controlled and held to account. It is a process affected by legal, regulatory, contractual, and market based mechanisms and best practices to create substantial stakeholder value (Shafritz, 2004). The function of governance is to ensure that an organization or partnership fulfills its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an effective, efficient and ethical manner. This principle should guide all governance activity.

2.2.3 Good Governance

Good governance is governance underpinned by five core principles. An organization that uses good governance is one that always, in word and action, demonstrates: accountability; strong leadership; integrity; stewardship; and transparency. (Auditor General of British Columbia, 2008).

2.2.4 Monitoring

Internal control systems need to be monitored-a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations.

It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to top management and the board.

2.2.5 Control Environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the board of directors.

2.2.6 Risk Assessment

Every entity faces a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

2.2.7 Information and Communication

Pertinent information must be identified, captured and communicated in a form and time-frame that enable people to carry out their responsibilities. Information systems produce reports, containing operational, financial and compliance-related information, that make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.

2.3 The Direct Relationship between the three variables

There is a direct relationship between the three categories of objectives, which are internal control system, internal audit functions and organizational commitment and what an entity strives to achieve, and components, which represent what is needed to achieve the objectives. All components are relevant to each objectives category. When looking at any one category--the effectiveness and efficiency of operations, for instance--all five components must be present and functioning effectively to conclude that internal control over operations is effective.

2.3.1 Internal control and good governance

The formal definition of internal control, originally published by the accounting profession is in 1949 and repeated in subsequent publications, including Statements on Auditing Standards (SAS) No. 1 (paragraph 320.09), states ; Internal control comprises the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

A system of internal control extends beyond those matters which relate directly to the functions of the accounting and financial department. Another definition for internal control is stated in the opening

paragraph of Auditing Standards and Guidelines (AS and G) 7.2.4: The whole system of control, financial and otherwise, established by the management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the record.

Internal control consists of the organization planning that includes all methods used to safeguard the company assets, to insure the reliability of information, to support the efficiency and effectiveness of operations, and to insure the compliance with rules and regulations (Arens, Elder & Beasley, 2010).

The main objectives of an effective internal control system according to Association of International Certified Public Accountants [AICPA] (2003) include;

- **Effectiveness and efficiency of operations:** This objective addressed an entity's basic business objectives, including performance and profitability goals and safeguarding of resources
- **Reliability of financial reporting:** This relates to preparation of reliable and condensed financial statements and select the financial data derived from such statements, such as earnings released, reported publicly.
- **Compliance with applicable laws and regulations:** This entails complying with those laws and regulations to which the entity is a subject.

As defined in COSO Report, Internal Control consists of five interrelated components, namely monitoring, information & communication, control activities, risk assessment, and control environment, as illustrated and defined below. These are derived from the way management runs a business, and are integrated with the management process. Although the components apply to all entities, small and mid-size companies may implement them differently than large ones. Its controls may be less formal and less structured, yet a small company can still have effective internal control.

2.3.2 Internal audit and good governance

Țurlea and Ștefănescu (2009) approach the internal audit in terms of its essential role and the support granted to the managing board, "in order to handle the internal control". This consolidates the role of the internal audit, to ensure the quality of the existing internal controls, the manner they are applied, the correctness and effectiveness of the implemented strategy, giving courage and confidence to the internal audit.

The structure of internal audit function widely differs among different organizations. In some organizations IAF have chief audit officer who is member of senior management, but in some other organizations IAF is as part of finance and accounting function. On the other hand it may be outsourced or combined with other assurance functions (Prawitt, 2003). The structure of internal audit function affects its overall activities, which, intends to operate.

As per Mat Zain, et al. (2006) when the audit committee is involved in key decisions such as the replacement of the chief internal auditor, there will be greater empowerment of the internal function. In other words, management influence over the internal audit function decreases and consequently internal auditors would feel more confident in undertaking audit investigations, particularly when dealing with more sensitive issues that may involve senior management.

Sawyer and Vinten (1996) noted four benefits managers have gained from internal auditing assistance. Internal auditors should first review and appraise the soundness and adequacy of the accounting, financial, and other operating controls, and promote effective controls at reasonable cost. Secondly, the internal auditors should ascertain the extent of compliance with established policies, plans, procedures, laws and regulations, which could have a significant impact on the company's operations. Then the internal auditors review the means of safeguarding assets and when appropriate, verify the existence of such assets and appraise the economy and efficiency with which resources are employed.

Lastly, the internal auditors review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

The IIA defines internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. 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.”(Asare, 2009, p.16).

The purpose of internal audit, according to IIA, is to evaluate and improve the effectiveness of an organization's risk management, control, and governance processes. Weaknesses in any of these areas pose a threat to the organization's legitimacy with its stakeholders. The institute also defined IA in its other development (2006) as an independent, objective assurance and consulting activity intended to improve an organization's operations and reduce risk of failing to meet strategic and operational goals

and objectives. It fills this function by examining an organization's risk management, control, and governance processes and reporting on the results of these audits and reviews to management and governing boards or stakeholders (The Institute of Internal Auditors, 2006). Many organizations worldwide are required to adopt internal audit.

Internal audit provides assurance to management about the condition of the local government's system of governance and internal controls through the completion of audits and reviews (Asare, 2009). The system of governance and the internal controls are designed to address the needs of private and public stakeholders at all levels: federal, state, and local (Power, 1997, 2003; Rezaee, 2007).

Based on The IIA's definition, internal auditing 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 (Chen JF. and Lin WY. 2011).

In the Glossary of The IIA's International Standards for the Professional Practice of Internal Auditing (Standards), "add value" is defined as, "Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services." In their foot note to this definition, Chen and Lin (2011:1) stated that as of 2011, "add value" is defined as, "The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relative assurance, and contributes to the effectiveness of governance, risk management, and control processes."

In many ways, an effective IAF is an important "frontline player" in the two fundamental governance activities monitoring of risks and providing assurance regarding controls. The internal auditor's risk-driven efforts provide critical inputs to other governance participants, including the audit committee and management. The early internal audit literature, e.g., Sawyer, often portrayed internal auditors as the "eyes and ears of management." (Hermanson & Rittenberg, 2003:32). In fact, some now describe the IAF as the "eyes and ears" of the audit committee (Hermanson & Rittenberg, 2003:54).

Ultimately, public sector auditing strengthens public governance by providing for accountability and protecting the core values of the public sector entity, ensuring managers and officials conduct the public's business transparently, fairly, and honestly, as well as with equity and integrity. (Goodson et.al (2012).

Suyono & Hariyanto, (2012) argued the rationalization of their finding that the internal audit function has important roles in governing the organization, such as controlling, evaluating, monitoring, and advising the head of local government. If the internal audit runs his/her roles effectively, the governance mechanism will run well and the good governance practices can be improved.

Mihret and Yismaw (2007) concluded that internal audit services is limited to regular activities, and recommended that extending the scope of services by widening the range of systems and activities audited, with appropriate risk analysis would improve audit effectiveness. Furthermore, in their value-added role of IA study, Mihret and Woldeyohannis (2008) concluded that goals and strategies pursued and the level of risk faced by organizations to which internal audit provides service, appear to shape the attributes of a value adding internal audit department. Based on their findings, they recommended that better 20 strategic planning by the internal audit department may enhance internal audits ability to build up a value adding profile by helping identity strategic issues and find solutions to any hurdles that are considered to exist on the way to achieving a value-added profile.

Internal Audit has undergone a series of structural changes over the last years. The implementation of new rules and regulations concerning internal audit, the evolution of new technologies, the economic crisis and the need for more intensive and continuous auditing by companies, have resulted in many changes, not only in the process of internal audit but also in the role of internal auditors and the general scope of internal audit (Bekiaris, et al., 2013).

In 2004, the Institute of Internal Auditors reviewed the definition, the meaning and the objectives of internal audit, in order to give directions to internal auditors.

In the reviewed definition a more holistic and managerial approach is highlighted rather than the previous widely established perception that internal auditors are strictly restrained to financial control activities. In this new approach, the consulting role of internal audit, in line with strategic management, is emphasized. It is also stated that internal audit must add value to an organization and contribute to the achievement of corporate goals. Finally, the new expanded scope of internal audit focuses on the contribution of internal audit to risk management and corporate governance issues (Hass, et al., 2006).

The SOX imposed stricter rules concerning organizations' internal control systems and their evaluation. This has led companies to spend resources for the improvement of their internal control systems in order to comply with the new regulations (Agrawal, et al., 2006).

According to a survey of PWC (2006), it is stated that almost half of USA companies' internal audit resources were used to meet SOX control requirements. This means that there is the need for companies to review their internal audit systems in order to allocate their resources in a way that contributes to the achievement of corporate goals.

Defining the reviewed scope of internal audit, Bou-Raad (2000) has stated that it is the most important function that provides the information required within an organization with respect to C. governance matters. The fact that internal audit interacts with the other control bodies of an organization, as a process of monitoring, and that its consulting role adds value to an organization, has established internal audit as one of the most important factors that define and improve corporate governance structure. Thus it can be regarded as an independent process for an organization, the value of which can be measured as that of an "intangible asset" (Regoliosi and d'Eri, 2012). Summarizing, during this transition from the traditional internal audit approach to a more progressive approach, it can be stated that internal audit tends to be more management oriented rather than financial-oriented. The contribution of the internal audit process to risk management practices of the company is another trend which has emerged after the recent changes.

2.3.3 Organizational commitment and Good governance

Organizational commitment refers to a psychological condition which is binding individual to organization (Meyer & Allen, 1991). Organizational commitment model of Meyer & Allen covers affective commitment (Affection for your job), continuance commitment (Fear of loss of your job) and normative commitment (Sense of obligation to stay). According to Allen & Meyer (1991), every employee can experience those three commitment components in different psychological states.

Therefore, organizational commitment is experienced by the employee as three simultaneous mindsets encompassing affective, normative, and continuance organizational commitment.

Affective Commitment: refers to the employee's emotional attachment to, identification with, and involvement in the organization.

Normative Commitment: reflects a feeling of obligation to continue employment. Employees with a high level of normative commitment feel that they ought to remain with the organization. (Meyer and Allen, 1991, p.67). **Affective Commitment:** wants to stay with the organization and feels emotionally attached. **Continuance Commitment:** needs to stay with the organization because the cost of leaving is

too high. Normative Commitment: feels obligated to stay with the organization because it is the moral and right thing to do.

As businesses face increasing competitive challenges, a strategy that will develop committed and loyal employees holds the promise of exceptional financial returns Chambers,1998;Huselid,1995).

According to Camilleri (2002), commitment is one of the great engines of business success. A people centered strategy is an important source of competitive advantage because, unlike technology, cost or new product development, people are difficult to imitate.

Loyal, engaged employees tend to generate high performance business outcomes as measured by increased sales, improved productivity, profitability and enhanced employee retention (Rogers, 2001; Tsui, Pearce, Porter & Hite, 1995).These employees commit themselves to the organization's vision and mission.

Commitment to the organization has evolved as a key indicator of an employee's attitude to the organization. Coupled with commitment, is the need from the organizational side, for employees that are able to deliver business results in a highly competitive environment.

Continuance Commitment: namely, denoting the perceived costs associated with leaving the organization. This model of commitment has been used by researchers to predict important employee outcomes, including turnover and citizenship behaviors, job performance, absenteeism, and tardiness (Meyer and Allen, 1991). Suyono & Hariyanto (2012) found that organization commitment has a positive significant relationship with the good governance. The rationalization of their finding is that the organization commitment, especially from head of local government and all staffs give strong power in governing the organization.

2.4 Theoretical Frame Work

2.4.1 Internal Control

Internal control consists of the organization planning that includes all methods used to safeguard the company assets, to insure the reliability of information, to support the efficiency and effectiveness of operations, and to insure the compliance with rules and regulations (Arens, Elder, & Beasley, 2010).

Mensah, Aboagye, Addo, and Buatsi (2003) found empirical evidence in Ghana that effective internal control improved good governance practices and decreased the corruptions.

Pratolo (2007) found that the effective internal control had positive link with good corporate governance at State Owned Enterprises in Indonesia. Similar with this finding, Nila and Viriyanti (2008) also found that internal control had a positive relationship with good corporate governance at State Owned Enterprises in West Java, Indonesia.

2.4.2 Internal Audit

Internal audit is an organization function with the duties to assess and evaluate all activities within the organization. This function is very important to provide and support all information in managerial decision-making process. Similar with external audit, an internal audit also has to be independent in conducting his/her duties.

Internal auditors' independence consists of two aspects, i.e., (1) the separation of this function with the auditee; and (2) the status within the organization. Virginia et al (2009) found that internal audit had a role to prevent the corruptions and support the good governance practices. Yasin et al. (2011) found that the internal audit function had a significant role in supporting the good governance practices. This finding was also similar with Wallace and Kreutzfeldt (1991); Carey et al. (2000); Gramling et al. (2004) and Carcello et al. (2005); and Coram and Moroney (2007).

2.4.3 Organizational Commitment

Organization commitment is defined as the individual relative power to identify his/her self into the organization (Mowday et al., 1979). It is categorized in three dimensions (Allen & Meyers, 1996), i.e. affective, namely, denoting an emotional attachment to identification and involvement in the organization; continuance, namely, denoting the perceived costs associated with leaving the organization; and normative, namely, reflects a perceived obligation to remain in the organization.

Stanton et al. (2003) found empirical evidence that individuals whose organizational commitment was high, they may spend more time on productive work activities. Brown (2003) found that relations-oriented leadership behaviors explained the greatest amount of variance in affective commitment, somewhat less variance in normative commitment, and no variance in continuance commitment. Other prior researchers have found relationships between organizational commitment and attitudes and behaviors in the workplace (Porter et al., 1974; Steers, 1977; and Angle & Perry, 1981).

2.4.5 Good Governance

Governance has been variously defined as “the exercise of authority or control to manage a country’s affairs and resources” (Schneider, 1999). Good governance requires that the government is governed in accordance with the governance principles, namely, transparency, accountability, responsibility, participation, fairness, and independency. The National Committee of Governance Policy (2010) argued that the implementation of good governance principles would like to give strategies which contributed to: (1) increasing social welfare; (2) creating contusive business environment; (3) improving the bargaining power; and (4) preventing from all frauds in running the governmental duties.

2.5. Empirical Review

Corporate governance ratings are foreseen to help attract and retain capital in the stock market. This is because financial markets operate on the basis of investors' confidence, which can be enhanced with the continuing practice of good, fair and transparent corporate behavior. The ratings are expected to have an impact on companies' credit ratings. As such, poor corporate governance rating would affect the agency's credit rating for a bank while conversely; those with high ratings could be better rewarded. Companies with better corporate governance ratings would see higher profitability and productivity as good governance involves improved processes and systems as well as enhancement of trust and accountability.

Previous researches use available ratings developed by rating agencies. For example, Bauer et al. (2004) analyzed the relationship between different governance standards measured by the Deminor Corporate Governance Ratings and stock returns, firm value and operating performance for most firms included in the FTSE Eurotop 30. Deminor is a rating which evaluates approximately 300 different governance criteria per firm, which can be attributed to four broader categories that are: Rights and duties of shareholders; Range of takeover defense; Disclosure on corporate governance; and Board structure and functioning. Similarly, the analysis of 40 years of data from 159 studies, carried out by Dalton and Daily (1999), concluded that there is no clear evidence of a substantive relationship between board composition and financial performance, irrespective of the type of performance indicators, the size of the firm or the manner in which board composition is measured.

For example, a board could be completely independent and, at the same time, fail in its expertise, counsel and resource dependency roles Dalton and Daily; (1999).

On the other hand, a board dominated by inside and affiliated directors could fall short in its ability to monitor and control Daily and Dalton, (1994; 1999). Hence, reliance on the independence of board members or any one dimension of board roles and attributes will not ensure high levels of corporate financial performance, especially if it is at the expense of other director roles (Johnson et al., 1993; Dalton and Daily, (1999). Besides that, there are researches that use self-developed rating generally constructed using recommendations and suggestions contained in Code of Corporate Governance.

In Korea, Black et al. (2003) report evidence on the relationship between corporate governance and the market value of Korean public firms. Comparing prior studies that use other corporate governance index such as S&P and CLSA ranking, the corporate governance index used in the study is based on responses to objective questions on a 2001 survey by the Korea Stock Exchange, reducing the problem of omitted corporate governance variables in the construction of index. The index is composed of six sub-indices, based on a total of 39 separate elements. Quite similar study is done by Beiner et al.(2004) using data from Switzerland. The dependent variables in their study are corporate governance index and additional variables of control mechanism; ownership structure, board characteristics, and leverage.

This provides comprehensive description of firm-level corporate governance for a broad sample of firms listed in Swiss Stock Exchange (SWX). The corporate governance index is mainly based on the recommendations and suggestions contained in the Swiss Code of Best Practice.

The same analysis is done in Germany by Drobetz et al. (2004) who developed corporate governance rating (CGR) based on responses on questionnaires sent out to all firms in the four principal segments of the German stock exchange. The survey questions are constructed based on the German Corporate Governance Code and other ratings such as Deminor Ratings, and were tested from a legal and regulatory perspective by Deutsche Borse AG. It managed to collect 30 governance proxies under five categories from 253 listed firms. Equal weighting scheme is used for the different proxies in order to be transparent and also to allow easy interpretations. Mohanty (2002) differentiates firms with good and poor governance by developing a corporate governance index in a way, which is quite distinctive from others. Instead of looking at the process of governance, the measures of corporate governance are based on observation to the outcome of good corporate governance. The index is

developed based on the definition by SEBI committee report which defines the objective of corporate governance as the maximization of shareholder's wealth by keeping in mind the interests of other stakeholders. Thus, if a firm has got appropriate corporate governance in practice, it must get reflected in how the firm deals with its seven types of stakeholders.

The association between internal control and corporate governance is quite major focus in corporate governance studies, but one cannot predict much on the direction as prior literatures show mixed results. Jensen and Meckling (1976) have proven that better-governed firms might have more efficient operations, resulting in a higher expected future cash-flow stream. In Brown and Caylor (2004), the result of the Pearson Correlations used in the study provides evidence that all measures of return except for one-year return; and all measures for profitability are significantly positively correlated with the CGQ scores that represent quality of corporate governance.

Klapper and Love (2003) that use return on assets as measure for performance found evidence that firms with better governance have higher operating performance. Contrast results are seen in Gompers et al. (2003), Beiner et al. (2004) and Bauer et al. (2004). According to Cho and Kim (2003), bank would enhance their corporate governance when the bank's performance is poor because changes in corporate governance structure are expected to bring out positive result on their performance.

The survey by Transparency International (2009) reported that the corruption rank of Indonesia is at the number of 111 from 180 nations with the score of 2.8. The low score of good governance implementation and the high range of corruptions mean that there is no accountability in the government financial management (Mardiasmo, 2004).

Good governance and internal control became a highly pertinent and topical business issue at the beginning of the 21st century, following a series of large corporate scandals and failures (PABC, 2006). The government internal auditors consist of general inspectorate, provincial inspectorate, region or city inspectorate, and Indonesian financial regulatory body and the development (Mardiasmo, 2004).

The head of local governments must have a high commitment to regulate, identify, and understand the financial reporting mechanism. They also must be responsible for preventing from the fraud in

enforcing the public funds, by implementing the effective internal control (Ratliff, Wallace, Loebbecke, & Farlan, 1996).

Corporate governance comprises many dimensions. Based on the U.K. Code, it can be divided broadly into the role of directors, directors' remuneration, the role of shareholders, and accountability and audit. Some of the structures are complements while others are substitutes to certain extent. The previous research has found different governance patterns. For example, Peasnell et al. (2001) find evidence of a convex association between the proportion of outside board members and the level of insider ownership in the U.K. corporate control process.

Shivdasani and Yermack (1999) observe, using U.S. data, that when the CEO serves on the nominating committee or no nominating committee exists, firms usually appoint fewer independent outside directors and more grey outsiders. Similarly, Vafeas (1999) discover that the likelihood of engaging a nominating committee is related to board characteristics such as inside ownership, number and quality of outsider directors for U.S. firms. Board structure is an important governance mechanism. Kenneth et al. (1995) note the substitution effects between outside directors, block holders, and incentives to insiders using eighty one U.S. bank-holding companies in his study. Both Dedman and Elisabeth (2002) and Young (2000) investigate the board structure determinants before and after Cadbury Report. They either find managerial entrenchment is reduced or non-executive directors are increased following the imposition of new standards of "best practice" regarding board structure.

2.6 Conceptual Framework of the Study

The increasing need for transparency in corporate operations and financial reporting is of paramount importance for an organization in order to be successful at this unstable period for the economy. Consequently, internal audit and corporate governance have attracted much attention by authorities and researchers (Dewing and Russell, 2004). Corporate governance defines the corporate structure of an organization, the relationships and responsibilities of the various parts of the organization and ensures the transparency in these relationships. On the other hand, internal audit is considered as a tool for enhancing transparency, regarding financial information which is used by stakeholders of the organization.

The recent corporate scandals (such as Enron), many of which are attributed to weak corporate governance structures, have brought into attention the need for examining and understanding the different aspects of corporate governance and its relationship to the organizational bodies which are responsible for the monitoring processes, such as the internal audit department and the audit committee.

Generally, building on the above, and in the light of the recent regulations published for good corporate governance and internal audit, internal control and organizational responsibility the conceptual framework of these fields must be reviewed and the relationship between corporate governance, internal audit and audit committee must be examined in order for the critical points of this relationship to be highlighted in the study area Jimma town municipality.

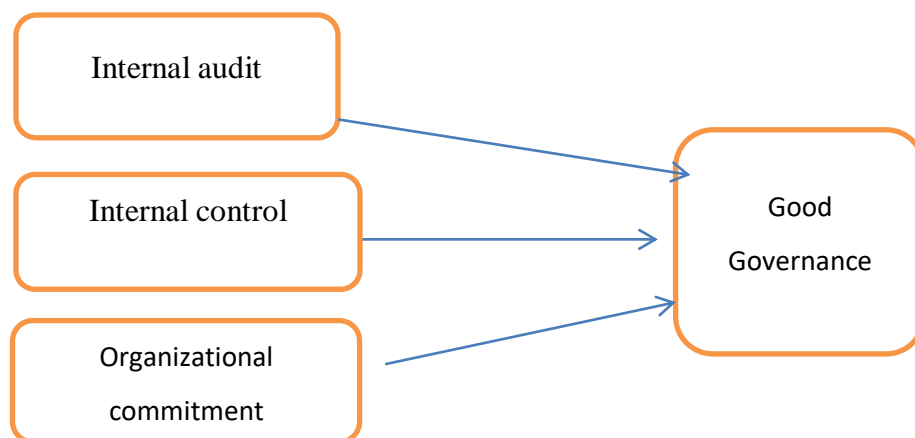


Figure 1: Conceptual Framework of Thinking

2.7 Variables and Measurement

Based on the above explanations and descriptions the independent variables internal control, Internal audit, Organization commitment and the dependent variable Good governance their measurements stated below.

- **Internal control (X1)**, is measured by instrument developed by COSO (1999), namely, control environment, risk assessment, control activity, information and communication, and monitoring;

- **Internal audit (X2)**, is measured by instrument developed by Moeller (2005) in Sawyers et al. (2003), namely, independence, professional competency, scope of work, examination process, and audit internal management;
- **Organization commitment (X3)**, is measured by instrument developed by Meyer and Allen (1997), namely, affective, continuance, and normative.
- **Good governance (Y)**, is measured by instrument developed by World Bank (2003), and Asian Development Bank (1999), namely, transparency, participation, accountability, independency, and responsibility.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

Research methodology refers to the way how a research problem can be solved systematically through exhaustive investigation (Kothari, 2006). This chapter presents the methodology used in the study. It describes the research design, area of the study and study population, sample selection and data collection methods. It also discusses techniques for data analysis.

3.2 Description of the study area

The study area, Jimma Town Municipality Oromia - Ethiopia, has purposively selected as it fits for the purpose of the study. This is so because Jimma Town is the center and seat of the town and zone administration. Among the various government public service organizations, Jimma Town municipality has selected for the study. The institution has selected purposely through the following criteria. One is I am worker to the institution, it has many departments, it is important for the town, the region and the country, has more customers with different background. Hence, Municipality is engaged in capacity building and reform it has more than 12 departments with more than 600 employees and has hundreds and thousands of customers each year. It collects tax, lead public organizations in the town and also used as a bridge between the government and peoples at large. Therefore to maintain good governance in general, transparency, accountability, commitment etc. in particular the researcher believed it is important to assess the role of internal control system, internal audit function and institutional commitment in promoting good governance in Jimma Town Municipality.

3.3 Research Design and Strategy

Research design is used to structure the research; to show how all of the major part of the research project the samples or group, work together in addressing research question (C.R, Kothari, 2004). Due to the nature of the proposed study, this research employed a mixed methodology of qualitative and quantitative. As Creswell (2003) stated, using only qualitative or quantitative research methodology has its own limitations. However, mixed methods make the research process & its

findings more valuable by offsetting the limitation of each research approach. Therefore, the researcher apply a mix of descriptive and exploratory survey research design and mixed methodology in data collection in order to answer the gap identified in the research process.

3.4 Data Type and Sources

The researcher has used both qualitative and quantitative data types. Both primary and secondary source of data has employed. The primary sources of data collected from employees of the municipality, administrators and key informants of each department in the organization. Secondary source of data collected from relevant sources such as annual report of the municipality and document review of all the selected department reports and customers' suggestions boxes.

3.4.1 Sample Design, Method and Size

The target population of the study consists of each department finance workers and administrators each department and customers and these departments in the municipality was the unit of analysis.

Purposive or judgmental method of non-probabilistic (non-random) sampling employed in this research. It is suitable to access Jimma Town Municipality workers found in the same organizational location. Thus the study used Purposive sampling (judgemental) since the researcher could be able to chosen who he think should be in the study (Moataza, 2004). Hence the samples of the study selected purposively because JTM and the selected departments, and respondents have the knowledge and experience on the dependent variable good governance and the independent variables of the study internal control, audit and organizational commitment.

The researcher employed proportional purposive sampling method. i.e., proportional selections of respondents made with the respective of the size of each sampling units in the study area. The benefits of using this process includes representativeness with respect to variables to be used as the basis of categorizing and increased chances of being able to make comparisons between the units. Lack of information on proportion of the population in each category and faulty classification may be listed as disadvantages of this method. Hence, in the municipality there are 12 departments. Among these, the five vulnerable and highly exposed departments for mal-governance that needs internal audit, internal control and commitment. It includes construction, land administration, tax and revenue, transport and human resource departments has selected purposively.

3.4.4 Respondents / Study Population

Population can be defined as the totality of observation with which the study is concerned (Saunders et. al. 2007). In this study, the respondents were from Jimma Town Municipality which is organized under Jimma Town Administration with general manager, vice manager and 12 departments like land Administration, tax Administration etc. having the total of more than 600 workers so the populations or samples has selected purposively from the five departments 12 people from each and the total of 60 people have participated. This is because of representativeness, categorizing and increased chances of comparisons between variables. But to minimize biases related to sample proportion, and faulty classification the researcher used proportional purposive sampling.

The selection was based on the ground of their service provision. Head of the organization and each department leaders, Heads of Internal audit, Heads of the Finance, Heads of Human Resource and employees from finance department of Jimma town municipality.

3.5 Data Collection Strategies and Instruments

Based on the work of Van-Zyl (2005) the data collection method is described as the specific approach used to gather information and the choice of methods depends on research objectives and questions to be addressed. For the main approach, the researcher would opt for a survey of well-informed persons in each of the Municipality departments. These include individual's workers, customers and leaders who have experience and well informed about the governance realm. They are assumed to provide the most knowledgeable ratings about governance, internal control, internal audit and organizational commitment. The main instruments were comprehensive, structured and itemized survey questionnaires that allow respondents to answer certain collated questions.

3.5.1 Questionnaire

According to Kothari (2006), a questionnaire is a set of questions which are usually sent to selected respondents to answer at their own convenient time and subsequently return them to the investigator. Close ended questionnaires employed in the study as they are easier and more convenient to be filled by respondents. The questionnaires completed by respondents ask them whether to rate the role and related aspects of internal audit, internal control and organizational commitment to ensure good governance in the institution.

Response for the statements keyed using five point scale of 5-strongly agree, 4-agree, 3-neutral, 2-disagree and 1-strongly disagree, by administering them to the respondents.

3.5.2 Interview

In interview, the researcher used purposive sampling technique to interview the head and vice head of the municipal office and additionally the office's core-process owners, and supervisors. Accordingly, the role of internal control, internal audit and organizational commitment for good governance also with relation to transparency, accountability, independency, responsibility, and, monitoring etc. has asked.

3.6 Method of Data Analysis

Kothari (2004) posits that data analysis is a systematic process involving working with the data, organizing and breaking them into manageable units, synthesizing them, searching for patterns, discover what is important and what is to be learned and deciding what to tell others.

In addition, data analysis involves organizing what observed, heard and read to make sense of the acquired knowledge. Therefore, for this study, the researcher analyzes the data based on the nature of the data. The data collected from primary sources using a variety of methods and techniques has organized, coded, condensed, and analyzed into sub sections based on their similarities. Qualitative data collected through interview analyzed and interpreted in the form of narration together with the responses of the questionnaire. The quantitative data analyzed, interpreted and presented using descriptive statistical tools like Statistical Package for Social Sciences (SPSS Version 20), tabulation, frequency, percentage mean and standard deviation.

3.7 Validity and Reliability of the Research Instrument

3.7.1 Validity

Validity used to determine whether research has truly measured, what it intended to measure and to approximate the truthfulness of the results. Validity is concerned with whether the findings are really about what they appear to be (Saunders et al, 2009:p157). Hence, the study has ensured that the questions asked were valid.

3.7.2 Reliability

Reliability is the consistency of measurement or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. Reliability of the instrument according to Amin (2005) refers to the degree to which the said instrument consistently measures whatever it is measuring. To check for reliability the questionnaire has been given to 20 people and after a month they have given the same questionnaire. The variance has determined and it is found that the questionnaire would be reliable since the degree of variation from the earlier response is negligible.

3.7.3 Validity Testing and Reliability Testing

Validity Testing: The purpose of validity testing is to know how far the instruments measured correctly and accurately. Validity testing uses product moment correlation, with the criteria of acceptance as the following: The item of questioner is valid if r-statistic is higher than critical value at degree of freedom 95% ($\alpha = 0.05$).

Reliability Testing: The purpose of reliability testing is to examine the consistency of the data. In this research, the reliability was measured by internal consistency approach that is the concept stressing on the consistency between items in the questionnaires. A construct or variable is reliable if the Croanbach's Alpha is more than 0.6 (Ghazali, 2006).

After all instruments tested, the classical assumption of multiple linear regressions has tested from the following aspects (Ghazali, 2006).

1. Normality Testing: The purpose is to know that all data of independent and dependent variables have normal distribution. In this research, normality testing used based on colmogorov - smirnov , in which if the asymptotic significant (two tail) is higher than alpha ($\alpha = 0.05$), so all data have normal distribution.

2. Multi – co linearity Testing: is a condition in which one or more independent variables are in a linear contribution with other independent variables. Multi co-linearity testing can be analyzed from variance inflation factor (VIF), in which if VIF is less than 10, there is no multi co-linearity.

3. Heteroskedasticity Testing: it is occurred when variance disturbance is not consistent to one to another time at all observations. Heteroskedasticity testing uses a park glejser method, in which if the probability value is higher than alpha ($\alpha = 0.05$), there is no heteroskedasticiy.

3.8 Ethical Consideration of the Study

In conducting the study, the researcher has considered ethical approaches like: the researcher ensured that there weren't any exploitation of research population for personal gain, and weren't influence respondents to participate in the research. The researcher has considered cultural, religious, gender and other significance differences into account within the research population; also used the data only for the intended purpose that is for the academic purpose.

To sum up, this chapter dealt with the overall research design of the study that gives clear path about what kind of data are required and from whom, how to gather those data, and how to analyze and present those data has put clearly in order.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1. Background Information of Respondents

A total of 60 respondents from five departments of Jimma Town Municipality i.e. construction, land administration, tax and revenue, transport and human resource departments, 12 people from each was selected for this study but because of their field works and election related busy work schedules a total of 48 respondents were participated on this study. Before going to the main part of the study it is logical to present the background information of the study. Therefore, respondents' background information is presented as follows.

Table 1: Demographic Analysis of the Respondents

Variables	Frequency	Percent
Sex:		
Male	29	59.2
Female	19	38.8
Total	48	98.0
Age (In Years):		
20-30	16	32.7
31-50	23	46.9
>50	9	18.4
Total	48	98.0
Field of study:		
Accounting	27	55.1
Management	14	28.6
Economics	4	8.2
Others	3	6.1
Total	48	98.0
Level of Education:		
Diploma	13	26.5
Bachelor Degree	27	55.1
Master's Degree	8	16.3
Total	48	98.0

Work Experience:		
<5 years	11	22.4
5-10 years	18	36.7
11-15 years	8	16.3
16-20 years	6	12.2
> 20 years	5	10.2
Total	48	98.0
professional certificate hold:		
Yes	27	55.1
No	21	42.9
Total	48	98

Table-1 shows the distribution of respondents in terms of their demographic characteristics. The analysis showed that, the majority of respondents were males (60.4 percent) while 39.6 percent were females. In terms of age largest proportion, 47.9 percent of respondents were within the age categories of 31 to 50 years, followed by 33.3 percent were within the age range of 20 to 30 years and the remaining 18.8 percent of the study population were above 50 years of old. This shows that the municipality has entertained all age groups in different work positions and experiences especially the majority of them are matured workers.

Concerning respondents field of study the analysis above indicated showed that, larger group, 56.3 percent of the study population were study accounting, followed by 29.2 percent were study management, 8.3 & 6.3 percent of respondents were study economics and others respectively. Regarding respondents level of education the analysis showed that, larger group 56.3 percent of respondents were first degree holders, 27.1 were diploma holders and the least group 16.7 percent hold master's degree. This implies that the workers have good academic status and field of study which is very much related with their responsibility in the municipality.

The analysis of organizational tenure showed that, 11 respondents (22.9 percent) had worked for < 5 years; 18 others (37.50 percent) worked for 5 to 10 years, 16.7 Percent had worked for 11-15 years and 5 (10.4 %) respondents worked in their current Position for more than 20 years. As to the possession of professional certification, 27 respondents (56.3%) confirmed to the negative while only 21 respondents (43.8%) responded in affirmative. This indicates that the organizational tenure of employees in the municipality has fair distribution the least experienced and the biggest experienced are not very far apart. Hence the organization has new employed and nearly retired workers as well. Regarding professional certification nearly half of them have no professional certification but more

than half of them have professional certification. This indicate us the most experienced has certificates and those who has least experience has no certificates. Generally professional certification mattered by experience.

4.2. Findings of Validity and Reliability Testing

Validity and reliability testing of internal control was measured based on 13 items (Item 1-13) of the sub scale, for internal audit is 11 (Items 14-24), organizational commitment measured on the basis of submitting 12 items (Items 25-36) and for good governance 13 items (Item 37-49), to the analysis.

Table 5: Validity and reliability Statistics

Variable	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items	Observed correlation coefficient r-value	Critical value From Pearson's table	Sig. (2-tailed)
Internal control	.829	.814	48	0.789	0.2495	.014
Internal audit	.718	.725	48	0.749	0.2495	.011
Organizational commitment	.703	.927	48	0.477	0.2495	.021
Corporate Governance	.785	.779	48	1.000	0.2495	.001

Based on the Significance value obtained by the sig. (2-tailed) of $.014 < .05$ (for IC), $0.011 < .05$ (for IA), and $.0021 < 0.05$ (for OC), $.001 < .05$ (for CG) it can be concluded that the items were valid. The results of all Product Moment correlation coefficient for questionnaire items (.789, .749, .477 and 1.000 for Internal Control(IC), Internal Audit (IA), Organizational Commitment (OC) and Corporate Governance (CG) respectively) have scores of more than the critical value .413, thus all data in this research are valid. The result of reliability testing as measured by Cronbach's alpha for all the 49 items of the main questionnaire part is .875. Good corporate governance scored Cronbach's alpha of 0.785, internal control 0.829, internal audit 0.718, and organization commitment 0.703. It means that all values of Cronbach's alpha are more than 0.6. Thus all data are reliable See table on reliability in the appendix section.

4.3. Results of Descriptive Statistics

The descriptive statistics utilized are based on frequency tables to provide information on the demographic variables. Through tables, summary statistics such as means and standard deviations, minimum are computed for each good governance dimensions, internal control, internal audit and Organizational commitment in this study. The findings widentified on this study presented as follows;

Table 2: Descriptive Statistics

Descriptive Statistics			
	Mean	Std. Deviation	N
Internal Control	3.72	1.929	48
Internal Audit	3.61	1.900	48
Organizational Commitment	3.25	1.803	48
Good Governance	3.58	1.892	48

Table-2: Represents the calculated means and standard deviations for the independent variables (internal control, internal audit and organizational commitment) and the dependent variable (corporate governance). The mean of internal control (3.72), mean of internal audit (3.61) which also revealed that an agreement of employees for the implementation of internal control and for their internal audit. However, the study was showed that the mean value of organizational commitment (3.25) which showed that the average employee mild agreement for their commitment had to the organization. On the other hand, the mean of corporate governance is 3.58 which showed that fair agreement of average employees' for the corporate of good governance at JTM. According the findings identified on this study the implementation of internal audit and internal control, good governance were good. The reason for this might be due to the suitable organizational structure or stable rules and regulation set at the organization. However the employees' organizational commitment in JTM is not strong enough. This result can be seen in line with the findings of Hermanson and Rittenberg (2003), an effective Internal Audit Function (IAF) is an important "frontline player" in two fundamental governance activities; monitoring of risks and providing assurance regarding Internal controls. And also good governance can be assured with strong managerial and employee organizational commitment, so this aspect of governance is an essential element in securing commitment and support for projects and enhancing the quality of their implementation (yirga, 2010).

Concerning the standard deviation of the data set as the fact indicated on the statistical figure interpretation a small standard deviation means that the value in a statistical data set are close to the mean of data set on average. Therefore, organizational commitment (SD=1.803) close to a mean of data set, followed by Corporate governance (SD=1.892), internal audit (SD= 1.900) and internal control (SD=1.929). These figures could varied through different studies the reason for this might be due to the responses vary due to difference in the management level of the respondents, the level of educational status they attain and also difference of the work nature on the organizations.

4.3.1 Internal control measures

Figure2: Proportion of positive statement of respondents on internal control measures.

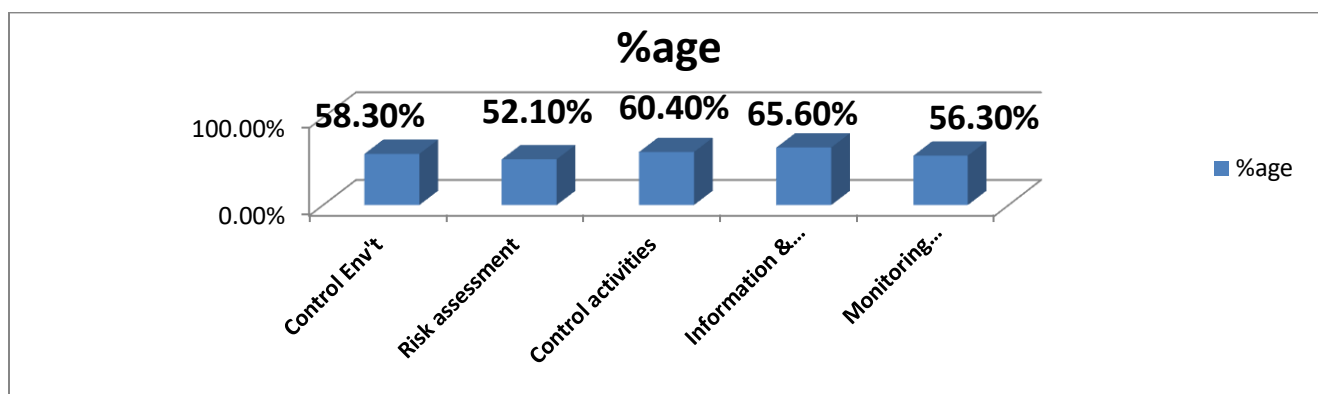


Figure 2, showed that regarding internal control measures at JTM, most of the respondents (65.6%) were agreed as information and communication have been well practice at the study area, followed by, 60.40%,58.30%, 56.30% & 52.10% who were agreed on implementation of internal control activities, existence of control environment, application of monitoring activities and conducting risk assessment measures. From the above finding we can conclude that as internal control measures had been run in a good way at JTM. This finding has similarity with previous studies in Africa and Indonesia. Mensah, Aboagye, Addo, and Buatsi (2003) found empirical evidence in Ghana that effective internal control improve good governance practices and decrease corruption. And also Pratolo (2007) found that the effective internal control had positive link with good corporate governance at State Owned Enterprises in Indonesia. Similarly Nila and Viriyanti (2008) also found that internal control had a positive relationship with good corporate governance at State Owned Enterprises in West Java, Indonesia. In addition to the above findings the managers and vice managers of the municipality in their interview responded as “internal control can give assurance in the reliability of financial reporting,

efficient and effective operation, and compliance with rules and regulations. Therefore, if the IC within the organization runs well, the good governance practices can be automatically improved”.

The responses above supported by scholars like (Whittington, 2012) stated as “good governance is built on a number of interrelated components. Internal control, a key component, is important to the municipality as it helps in the detection of irregularities at an early stage. All components must function effectively as a whole to bring about good governance”.

It means that, IC has a positive significant role for good governance. This could imply JTM as an organization which provide service for public sector; the governing system used a basic component as a means of good governance. Thus, as interrelated component; control environment, risk assessment, control activities, information & communication and monitoring activities have been good in JTM.

The finding of this research, in which internal control has positive significant role to good governance, also goes in accordance with the results of Cheung and Qiang (2002); Mensah et al. (2003); Stewart and Kent (2006); Pratolo (2007); and Nila and Vitriyanti (2008).

4.3.2 Internal Audit measures

Table 3: Proportion of positive statement of respondents on Internal Audit measures

Measures	Frequency	Percentage
Internal auditing as a value-added activity	29	60.4
Effective functioning of an internal audit activity.	27	56.3
Adding value to governance process	32	66.7
Organizational status for an effective internal audit activity.	28	58.3

Our results regarding the measure of internal audit within the municipality suggest that larger proportion (60.4%) of respondents were believed as internal audit adds value to the organization, which means that the value-adding role of internal audit is clearly recognized by the respondents. About 56.3% of respondents were also agreed as there was effective functioning of internal audit activity at JTM. Participants also verify that internal audit is defined within a wider governance framework and that is effectively communicated on the study area.

Most of the study participants (66.7%) were verified as internal audit could add value to the governance process. Thus, since internal audit might be an effect of corporate governance. Finally, regarding the organizational status for an effective internal audit activity, larger proportion 58.3% of respondents were stated that JTM have been good for an effective internal audit activity.

Furthermore, the above result concerning internal audit supported by responses from the interview concerning internal audit are summarized as “internal audit function has important roles in governing the organization, such as controlling, evaluating, monitoring, and advising the head of the municipality. If the internal audit runs his/her roles effectively, the governance mechanism will run well and the good governance practices can be improved”.

Therefore the above finding has supported by previous studies like (Asare, 2009) stated as Internal audit provides assurance to management about the condition of the local government's system of governance and internal controls through the completion of audits and reviews. The system of governance and the internal controls are designed to address the needs of private and public stakeholders at all levels: federal, state, and local (Power, 1997, 2003; Rezaee, 2007).

According to the finding of this study, the value of t statistic for variable of internal audit is 52.629 higher than critical value (2.495), and p-value of 0.002 is smaller than alpha (0.05). It means that internal audit has a positive significant role for good governance. This implies that as the internal audit of JTM could be able to signify the governing system & internal control aligned to address the private and public stakeholders. Thus, IA could be able to add value for JTM.

Consistent with the prior studies this finding is in line with Virginia et al. (2009); Yasin et al. (2011); Wallace and Kreutzfeldt (1991); Carey et al. (2000); Gramling et al. (2004); Carcello et al. (2005); and Coram and Moroney (2007). Hence, this research shows that variable of internal audit has a positive significant role for good governance.

4.3.3 Organizational Commitment Measures

Figure 3: Proportion of positive statement of respondents on organizational commitment measures.

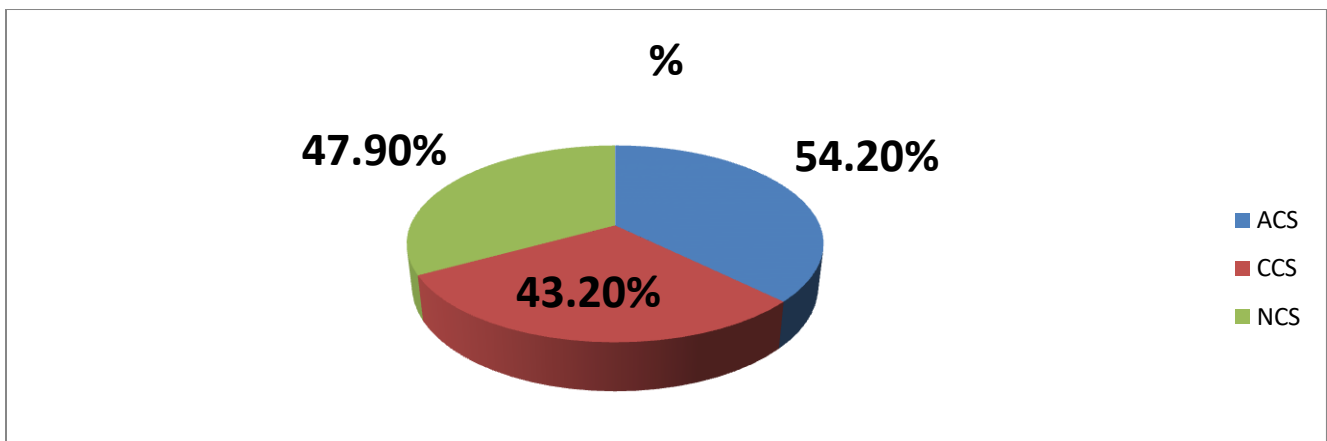


Figure 3: showed that regarding the organizational commitment, larger proportions of (54.20%) of respondents were believed on affective commitment scale. Thus, they feel as the family as for the organization and also they belong to their organization. However, significant proportion 47.90% & 43.20 % of them were adhered with normative and continues scale of commitment respectively. So, most of the respondents were under the preference of leaving the organization easily due to better alternatives were there, and they had no sense if they leave the organization. The reason for this might be the work nature at the municipality, the benefit package avail there or other personal, psychological or family issues.

As the officials responded on the situation of their municipality commitment towards good governance especially from head of the organization, fellow managements and staffs, “the presence of organizational commitment give strong power and continuous effort in governing the organization and governed by rules and regulations of the organization”.

According to Camilleri (2002), commitment is one of the great engines of business success. A people centered strategy is an important source of competitive advantage because, unlike technology, cost or new product development, people are difficult to imitate. Since good governance could able to maintain employee commitment to the organization and could enhance too.

The statistical findings of this research show that the value of t statistic for variable of organizational commitment 56.634 is higher than critical value (2.495), and p-value of 0.001 is smaller than alpha (0.05). It means that organizational commitment has a positive role for good governance. Therefore, the organizational commitment has a positive significant role for good governance in JTM. This could implies the governing system in JTM capable to maintain organizational commitment with in its’

employees. The finding of this research, in which organizational commitment has positive significant role for good governance, is in accordance with the results of Eko Suyono, Eko Hariyanto (2012).

4.3.4 Corporate Governance Measures

Table 4: Statements Regarding Good Corporate Governance, specifically concerning Points

Corporate Governance concerning Points	Frequency (percent)				
	1	2	3	4	5
Transparency	3 (6.3%)	16(33.3%)	4 (8.3%)	17(35.4%)	8(16.7%)
Participation	4 (8.3%)	10 (20.8%)	6 (12.5%)	22(45.8%)	6(12.5%)
Accountability	3 (6.3%)	14 (29.2%)	6 (12.5%)	19(39.6%)	6(12.5%)
Independence	2(4.2%)	16(33.3%)	5(10.4%)	17(35.4%)	8(16.7%)
Responsibility	4 (8.3%)	14 (29.2%)	3 (6.3%)	21(43.4%)	6(12.5%)

As indicated above on table 4, regarding corporate governance which is the dependent variable of the model, it can be stated that the larger proportion of the respondents (52.1%) believe that top management administration of JTM is transparent to its customers, stake holders and others.

Thus JTM relates openness as a good governance principle to its constituting values. Additionally, larger proportion of respondents (57.7%) were also believes as the top management of JTM were participatory to its constitutes. As a result stake holders could be exercised public decisions at JTM. Thus, JTM might be enabling regulatory frame work and economic environment as a part of good governance principles. Concerning accountability, independence and responsibility, larger proportion, 52.1%, 52.1% & 56.3% were believe the practice of the stated principles at JTM respectively. Thus, individuals at JTM were accountable for their duties and they are answerable for their action taken, the audit body have been free to audit any one as per wanted and also they have been responsible for their action and decision they have been made.

This result goes in line with the principles stated by Chaudhry, et al (2009:339), Good governance is defined as control of all, or some combination of, the following elements: contribution, transparency of decision-making, accountability, rule of law, predictability.

4.4. Result of Inferential Statistics

4.4.1. Finding of Classical Assumption Testing

A. Sample characteristics of normality test

A Shapiro-Wilk's test ($P > .05$) (Shapiro & Wilk, 1965) and a visual inspection of their histograms, normal Q-Q plots and box plot showed that the data for internal control, internal audit and organizational commitment and corporate governance were normally distributed with the value of asymptotic significance (p-value) 0.695 which is higher than alpha ($\alpha = 0.05$). The value of asymptotic significance for internal control 0.509, for internal audit 0.526, for organizational commitment 0.429, and for Corporate governance was 0.534 (see more on the appendix).

Figure 4: histogram

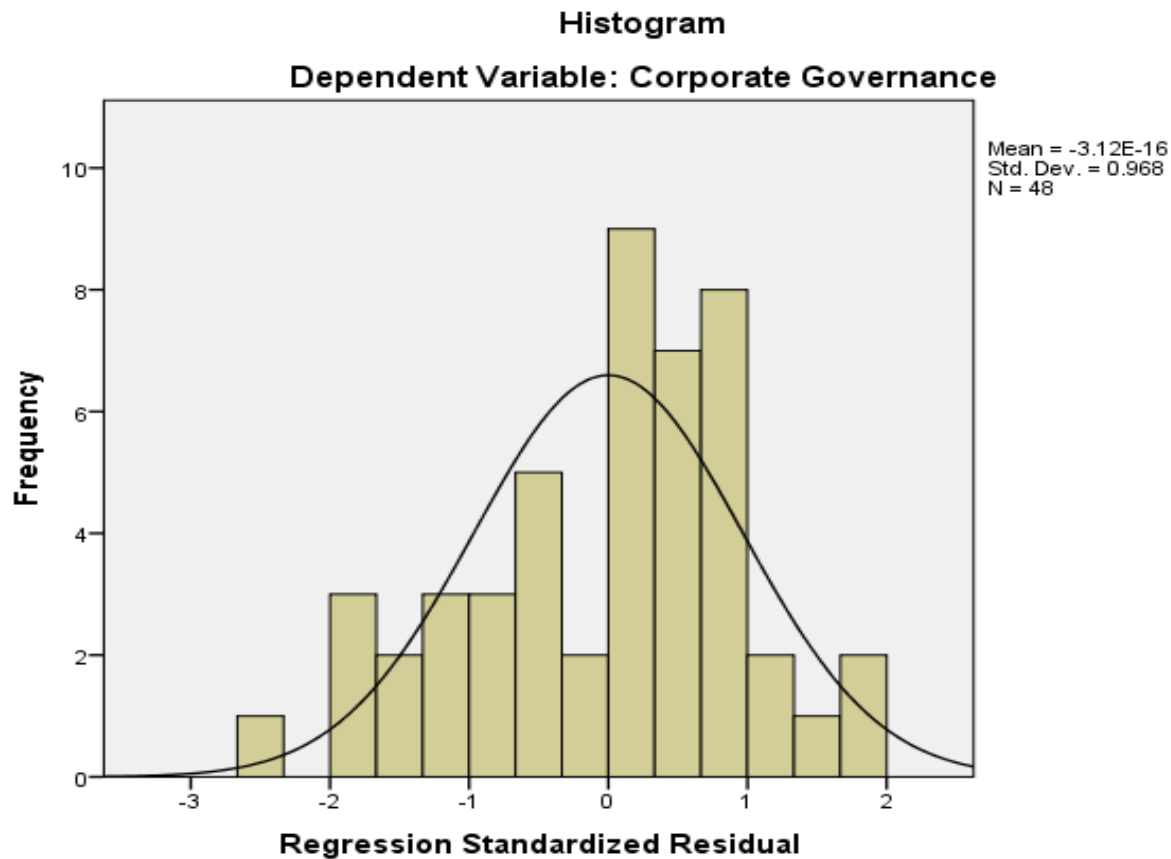


Figure 5: Detrended and normal Q-Q plots

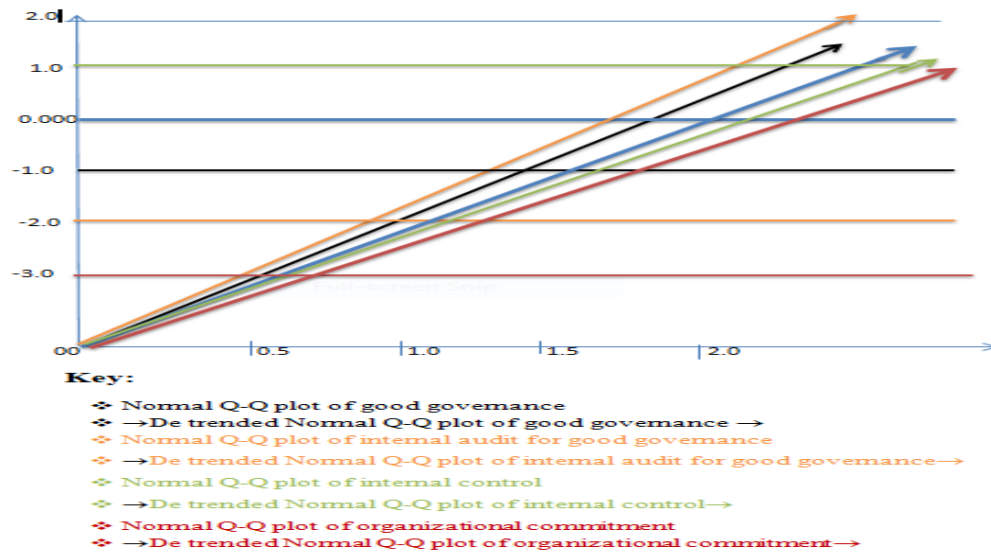


Table 6: Sample characteristics (Normality Testing)

Variable	Skewness	Z-value of skewness (Skew/Standard Error of skewness)	Kurtosis	Z-value of Kurtosis (Kurt/Standard Error of kurtosis)	N of Items	Observed correlation coefficient r-value	Critical value From Pearson's r-table	Sig. (pvalue) (2tailed)
Internal control	0.475	0.481	-0.460	0.935	48	0.720	0.2495	.014
Internal audit	0.258	0.481	0.056	0.935	48	0.349	0.2495	.011
Organizational Commitment	0.494	0.481	-0.206	0.935	48	0.277	0.2495	.021
Corporate Governance	0.466	0.481	-0.469	0.935	48	1.000	0.2495	.001

Note: 1. Standard error of Skewness for internal control, internal audit organizational commitment, and corporate governance, is 0.466 each and standard error of their kurtosis is 0.935. Z-value should be somewhere -1.96 and +1.96. Z-value can be determined by dividing the observed measure of skewness or kurtosis by their respective standard error.

Skewness and Kurtosis measures should be as close to zero as possible. In reality, however, data are skewed and kurtotic. A small departure from zero is therefore no problem as long as the measures are not too large compared to their standard errors. As a consequence we must divide the measures by their standard errors. This can give us the z-value.

B. Sample Characteristics of Heteroskedasticity

Based on Output Coefficients of Park Glejser test, the obtained value of sig. (p value) shows that significance of internal control (0.63), audit internal (0.094), and organization commitment (0.390), all are higher than alpha ($\alpha = 0.05$). It means that there is no heteroskedasticity in this model. (See on the appendix).

C. Sample Characteristics of Multi Collinearity

Coefficient

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1	13.090		.393	.009		
Internal control	0.958	.189	.614	3.617	.002	.583	1.714
Internal audit	.0957	.205	.152	.834	.005	.507	1.972
Organizational Commitment	.903	.167	.217	1.483	.001	.786	1.372

Output of variance inflation factor (VIF) column in the coefficients table of the regression output shows that VIF for internal control (1.914), internal audit (1.772), and organization commitment (1.872), all are smaller than 10. It means that there is no problem of multi collinearity between independent variables.

This can be further ascertained from the tolerance column of the same table in which the tolerance for the three independent variables is 0.585, 0.527 and 0.776 respectively all > 0.1 indicating that there is no multi collinearity.

4.5. Result of Goodness of Fit Test

We want to run a regression of internal control(X1), internal audit (X2, and organizational commitment (X3) on good governance (Y) for Jimma Town Municipality.

Function Internal control(X1), Internal audit (X2), and organizational commitment (X3) = Good governance (Y) or, as relevant text book have it,

$$CG = \beta_0 + \beta_1*IC + \beta_2*IA + \beta_3*OC + et, \text{ or to be precise, } 61$$

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

The real question here is that “does this model works? How can we know that?”

Three ways to answer this question are: Always we have to look at the model fit (“ANOVA”) first.

We do not have to make the mistake of looking at the R-square before checking the goodness of fit.

Table 7: ANOVA

	Sum of Squares	df	Mean Square	F	Sig
Between People	60.370	47	1.284		
Between Items	58.891	3	19.630	15.562	.000
Within People Residual	177.859	141	1.261		
Total	236.750	144	1.644		
Total	297.120	191	1.556		

A. Dependent Variable: Corporate Governance

B. Predictors: (Constant), Organizational Commitment, Internal Audit, Internal Control

Significance of the model (“Did the model explain the deviations in the dependent variable or not?”).

The last column in the above table (ANOVA-table) shows the goodness of fit of the model.

It is p-value or observed significance of the F. The lower this number the better it fit. Typically, if “Sig” is greater than 0.05, we conclude that our model could not fit the data.

The F is comparing the two models below:

$$1. CG = \beta_0 + \beta_1*IC + \beta_2*IA + 3*OC + et ,$$

$$2. CG = \beta_0 \text{ (In formal terms, the F is testing } \beta_0 = \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = 0) \text{ } 62$$

If the F is not significant, then we cannot say that model 1 is any better than model 2.

The implication is obvious-the use of the independent variables has not assisted in predicting the dependent variable.

If Sig < .01, then the model is significant at 99%, if Sig < .05, then the model is significant at 95%, and if Sig < .1, the model is significant at 90%. Significance implies that we can accept the model.

If Sig > .1 then the model was not significant (a relationship could not be found) or "R-square is not significantly different from zero", the model does not work at all. Note that p-value is the Sig. column value. Test of the goodness of fit of the model in this research showed positive results. From the result of F-test, it is known that the F statistic **15.562** is higher than the critical value **2.495** (from t-table) and the probability (p-value or the Sig. value) 0.000 is smaller than alpha (0.05). Therefore, the model is fit. The third confirmatory test is looking at the R² value of the model summary which is .681 > 0. As this value gets approach to +1, the better the model can be.

If we had to compute it by hand, it would be...Where:

F=F-value that is resulted from the calculation;

R²=coefficient of determination;

k=number of variables (# of dependent and independent variables);

N=number of observations (# of sample respondents).

(K-1) = degree of freedom

Given

R²=0.515.....from regression summary table

K-1 = 4 - 1 = 3, 1 - R= 1-0.515 = 0.485 and N-k = 48 - 4 = 44

$$F = \frac{R^2/(k-1)}{1-R^2/(N-K)}$$

Therefore, F = 0.515/3 ÷ 0.485 /44 = 0.515 /3 * 44/0.485 = 0.172 *90.723 = 15.604

The difference could be the effect of rounding.

Generally, from the above discussions the model is fit. The first, the second and the third confirmatory tests shown above the F value, P value and R² value of the model summary realized the goodness of fit of the model.

Table 8: Summary of the regression output is given in the following table.

Variables	F-test and T-test						R ²	K	N	Conclusion
	Fstatist	critica value	regression coeffic	F statisti	critical value	p-value				
Goodness	2.946	2.495				0.000				Significant

of fit testing										
Partially testing										
Constant		5.144	74.937	2.495	0.009	0.685	4	48	Significant	
Internal Control		0.682	72.543	2.495	0.002	0.685	4	48	Significant	
Internal Audit		0.171	59.629	2.495	0.005	0.685	4	48	Significant	
Organization Commitment		0.248	76.634	2.495	0.001	0.685	4	48	Significant	

Based on the above tables, the regression model filled in as follows: $Y = 5.144 + 0.682X_1 + 0.171X_2 + 0.248X_3 + \epsilon$

Table 9: Regression Model Summary ^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.696 ^a	.685	.671	.907	.685	48.467	3	1	.000

Table 10: ANOVA ^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	114.378	3	1.284	15.562	.000
	Residual	.822	41	19.630		
	Total	115.200	44			

a. Dependent Variable: good governance

b. Predictors: (Constant), Organizational commitment, Internal audit, Internal control

The results from the regression model summary and analysis of variance above indicate that internal control, internal audit and organizational commitment could significantly contribute towards the R² value. Based on the R² value of 0.685, these three variables could explain 68.5% variation in the good governance. An examination of these three independent variables indicated that the internal control represented the strongest role on corporate governance with the standard beta of 0.958 followed by the internal audit with beta of 0.957 and organizational commitment with β of .903. Thus the statistical results prove that positive and strong linear role exists between dependent and independent variables.

Table 11: Coefficients

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1	13.090		.393	.009		
Internal Control	0.958	.189	.614	3.617	.002	.583	1.714
Internal Audit.	.0.957	.205	.152	.834	.005	.507	1.972
Organizational Commitment	.0.903	.167	.217	1.483	.001	.786	1.372

a. Dependent Variable: Good Corporate Governance

The regression coefficients are shown in the above table. The intercept, 1, is representing the estimated average value of corporate governance when internal control, internal audit and organizational commitment are zero.

Thus an organization with no internal control, internal audit and organizational commitment could have severe impact on the good corporate governance of the organization. The slop of independent variables also exhibits useful predictive information about the implication. The slop of internal control, internal audit and organizational commitment, which are 0.958, .957 and .903 means that corporate governance shows a significant changes by 0.958, .957 and .903 when internal control, internal audit and organizational commitment respectively increases one or when internal control, internal audit and organizational commitment respectively decreases by one. This means when independent variables internal control, internal audit and organizational commitment increases the dependent variable corporate governance decreases.

Table 12: Summary of the role of dependent variables to the dependent variable

S/No	variables	p-value	F- Statistics	Critical Value	tested value
1	The internal control has a positive significant role for good governance.	0.005 (<0.05)	72.543	2.495	Accepted
2	The internal audit has a positive significant role for good governance.	0.002(<0.05)	59.629	2.495	Accepted

3	Organizational commitment has a positive significant role for good governance	0.001 (<0.05)	76.634	2.495	Accepted
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- Good governance is built on a number of interrelated components. Internal control, a key component, is important to a company as it helps in the detection of irregularities at an early stage. All components must function effectively as a whole to bring about good governance (Whittington,2012) .The value of F statistic for variable of internal control 72.543 is higher than critical value (2.495), and p-value of 0.005 is smaller than alpha (0.05). It means that internal control has a positive significant role for good governance. This could implies JTM service provision and the governing system applied interrelated basic components component like control environment, risk assessment, control activities, information & communication and monitoring activities have been good and used as a means of good governance.
- According to the finding of this study, the value of t statistic for variable of internal audit is 59.629 higher than critical value (2.495), and p-value of 0.002 is smaller than alpha (0.05). It means that internal audit has a positive significant role for good governance. This implies that as the internal audit of JTM could able to signify the governing system & internal control aligned to address the private and public stakeholders. Thus, IA could be able to add value for JTM. The rationalization of this finding is that the internal audit function has important roles in governing the organization, such as controlling, evaluating, monitoring, and advising the head of the management. If the internal audit runs its role effectively, the governance mechanism could run well and good governance practices improved.
- According to Camilleri (2002), commitment is one of the great engines of business success. A people centered strategy is an important source of competitive advantage because, unlike technology, cost or new product development, people are difficult to imitate. The value of F statistic for variable of organizational commitment 76.634 is higher than critical value (2.495), and p-value of 0.001 is smaller than alpha (0.05). It means that organizational commitment has a positive relationship with good governance. This could implies the governing system in JTM capable to maintain organizational commitment with in its' employees. The rationalization of this finding is that the organizational commitment from head management to all staffs has given strong power in governing the organization.

CHAPTER FIVE

SUMMARY, CONCLUSIONS & RECOMMENDATIONS

5.1. Summary of Major Findings

According to the collected data from the study population, the study was processed and analyzed the raw data in order to present relevant result of the study with full interpretation and discussion. The findings on the result part of the study were sorted with descriptive and inferential statistics presentation. Therefore, based on the identified result of the study, the researcher could be able to summarize the major findings of the study and present as follows.

Regarding the calculated mean and standard deviations for the dependent variable (corporate governance), and independent variables (internal control, internal audit and organizational commitment). The mean of corporate governance showed that fair agreement of average employees' of JTM for the existence good governance at JTM. On the other hand similarly, the mean of internal control and internal audit also revealed that an agreement of employees for the implementation of internal control and for their internal audit. However, the mean value of organizational commitment showed that the average employee mild agreement for their commitment was to the organization.

Regarding internal control measures at JTM, most of the respondents agree as information and communication have been well practice at the study area, followed by implementation of internal control activities, existence of control environment, application of monitoring activities and conducting risk assessment measures.

According to the finding of this study the measure of internal audit within the municipality show that respondents believed and clearly recognized as internal audit adds value to the organization, and others agreed on the effective functioning of internal audit activity, the rest verified internal audit is defined within a wider governance framework and that is effectively communicated on the study area.

The result of this study regarding the organizational commitment, respondents believed on affective commitment and they feel as family and belongingness to their organization. However, significant proportion of them were adhered with normative and continues scale.

Regarding Good corporate governance which is the dependent variable of the model, it can be stated that respondents believed the top management of JTM are transparent to their employees, customers, stake holders and others. Thus JTM relates openness and participatory leadership as a good governance principle. As a result stake holders could be able to exercise public decisions at JTM.

Test of the goodness of fit of the model in this research showed positive results. From the result of F-test, it is known that the F statistic 15.562 is higher than the critical value 2.495 (from t-table) and the probability (p-value or the Sig. value) 0.000 is smaller than alpha (0.05). Therefore, the model is fit. The third confirmatory test is looking at the R^2 value of the model summary which is $.681 > 0$. As this value gets approach to +1, the better the model become.

The value of t statistic for variable of internal control 72.543 is higher than critical value (2.495), and p-value of 0.005 is smaller than alpha (0.05). It means that internal control has a positive significant role for good governance. This could implies as JTM as an organization which provide service for public sector, the governing system might be interrelated a basic components as a means of good governance. Thus, as interrelated component; control environment, risk assessment, control activities, information & communication and monitoring activities have been good in JTM.

According to the finding of this study, the value of t statistic for variable of internal audit is 52.629 higher than critical value (2.495), and p-value of 0.002 is smaller than alpha (0.05). It means that internal audit has a positive significant role for good governance. This implies that as the internal audit of JTM could able to signify the governing system & internal control aligned to address the private and public stakeholders. Thus, IA could be able to add value for good governance in JTM.

The value of t statistic for variable of organizational commitment 56.634 is higher than critical value (2.495), and p-value of 0.001 is smaller than alpha (0.05). It means that organizational commitment has a positive role for good governance. This could implies the governing system in JTM capable to maintain organizational commitment with in its' employees.

The finding of this research, in which organizational commitment has positive significant role for good governance, is in accordance with the results of Eko Suyono, Eko Hariyanto (2012). The rationalization of this finding is that the organization commitment, especially from head of the municipality and all staffs exert their strong effort in governing and governed by the organization good governance principles.

5.2. Conclusions

Based on the results revealed and the findings summarized above, the researcher could be able to draw the following conclusive statements for the conducted study. Like other prior researches in different areas, this research found that internal control has a positive significant role for good governance at JTM. Similar the finding also show that internal audit has a positive significant role for good governance. The other finding showed that organization commitment has a positive significant role for good governance. This research can contribute to the arguments on similar ideas that may be used by anybody who is interested in this issue, particularly for public service government organizations and, so that they can improve the implementation of good governance in running their duties.

Generally, we can conclude from the results of this study Jimma Town Municipality has taken real reforms to improve the problems indicated in the statement problem part in chapter one as the municipality took new manager and the measures like hiring external auditor and control personnel to clear the blurred income and expenditure documents, and giving suspected cases of corruption, fraud money and mal-governance to court for investigation.

Hence this research approved that internal control, internal audit, and organization commitment has indispensable role for good governance at JTM. This can also approve that three variables internal control, internal audit, and organizational commitment for a certain organization could have positive implication depending on their implementation. The above statements support (Whittington, 2012) “Good governance is built on a number of interrelated components. Internal control, a key component, is important to a company as it helps in the detection of irregularities at an early stage. All components must function effectively as a whole to bring about good governance.”

Finally the findings of this study show positive outcome, this is because the municipality has exerted the necessary effort to reduce corruption and mal governance and improve good governance specifically in construction, land administration, tax and revenue, transport and human resource departments and in the municipality in general.

Therefore, depending on the findings identified the role of internal audit and internal control and organizational commitment for good governance were significant. We can conclude that good governance has realized with the right practice of internal audit, internal control and organizational commitment.

5.3. Recommendations

Based on the identified result, the findings which summarized & the conclusion had been drawn, the researcher could be able to forward the following recommendations as a possible solution for the identified gaps to the concerned bodies for intervention.

- The municipality should use managerial technologies to facilitate and control the overall activities in the Municipality. It is because Internal Control is institutional mechanisms designed to protect assets, secure the accuracy and reliability of data and reports, promote operational efficiency and achievement of organizational goals and objectives. Thus, JTM should have to maintain and made improvements digitally and systemically to strengthen and sustainable its' internal control system.
- Internal audit of JTM should keep its independence in order to review the report efficiently and work with external auditors and related organizations for its better consultancy service of the organization.
- The managers of the municipality should facilitate and give short and work related trainings for their workers. The municipality should also give incentives or rewards to motivate workers. The psychological state of employees' should have to kept and treated with managers and open management system should be designed in order to enhance their organizational commitment..
- The municipality management should establish institutional framework and mechanism to follow-up the implementation of good governance and should discuss the failures and improvements of the works done in field supervision every month rather than accepting paper reports.
- The study recommended the municipality to open their door for the participation of other stake holders to share experiences.
- The study finally recommended the necessity of using different mass media including the regional and local FM radios for good governance awareness creation, struggling against corruption in their run forward to achieve institutionalized good governance.
- The researcher recommended other researchers to conduct study on other principles of good governance like organizational culture, management style, and organizational risk management, etc. in addition to the variables studied above internal control and internal audit and organization commitment in JTM or other organizations. I also recommended the municipality and other researchers to study other departments of JTM on their good governance practices.

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APPENDIX I

Coefficient

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig	Co linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)				.393	.009		
1							
Internal control	0.958	13.090		3.617	.002	.583	1.714
Internal audit	.0.957	.189	.614	.834	.005	.507	1.972
Organizational Commitment	.0.903	.205	.152	1.483	.001	.786	1.372
		.167	.217				

Model Summary ^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.679 _a	.685	.110	1.126	.167	2.946	3	44	.000	2.693

a. Predictors: (Constant), Organizational Commitment, Internal Control, Internal Audit

b. Dependent Variable: Corporate Governance

ANOVA ^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	114.378	3	1.284	15.562	.000
Residual	.822	41	19.630		
Total	115.200	44			

a. Dependent Variable: good governance

b. Predictors: (Constant), Organizational commitment, Internal audit, Internal control

Table 4.1.1. : Descriptive Statistics			
	Mean	Std. Deviation	N
Corporate Governance	3.58	0.926	48
Internal Control	3.72	1.002	48
Internal Audit	3.61	1.188	48
Organizational Commitment	3.25	1.111	48

Residuals Statistics^a

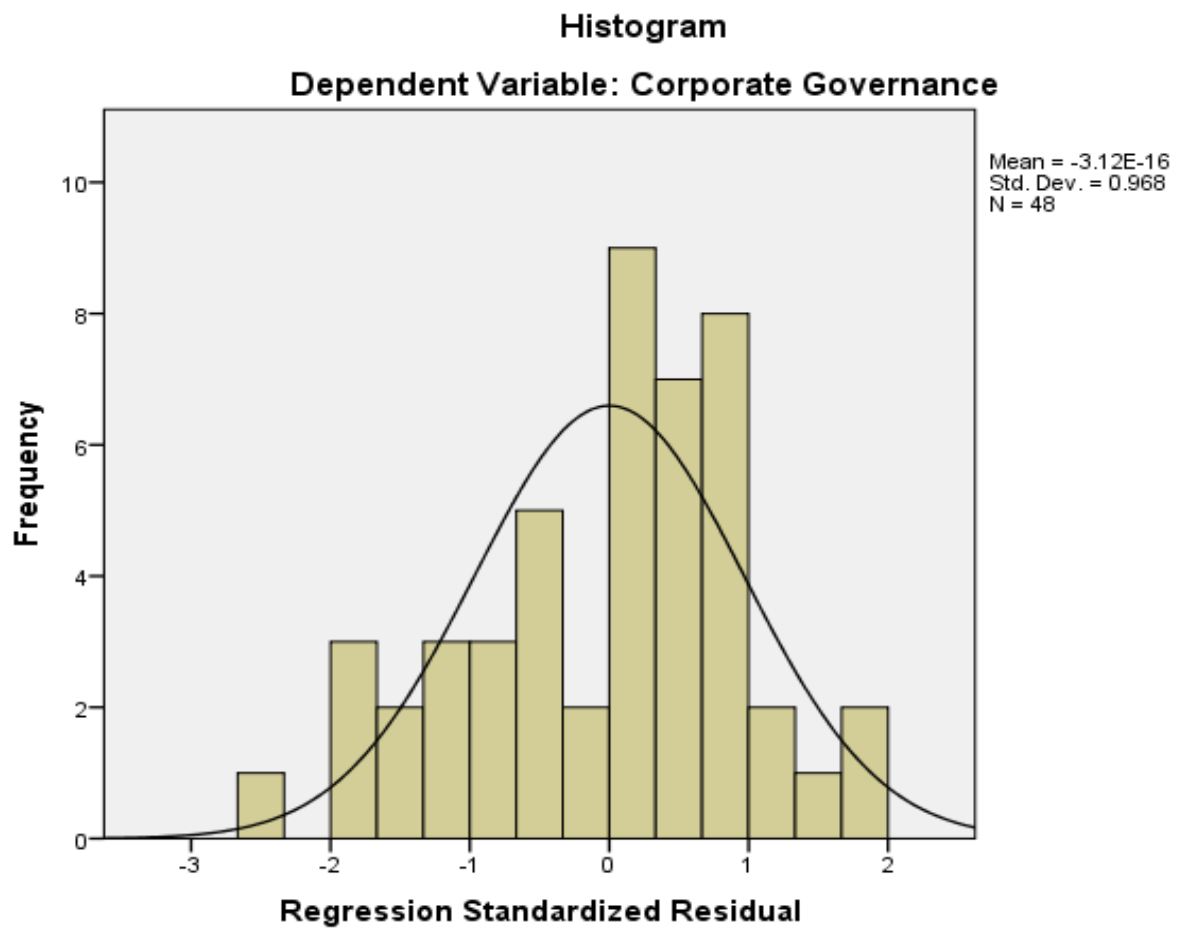
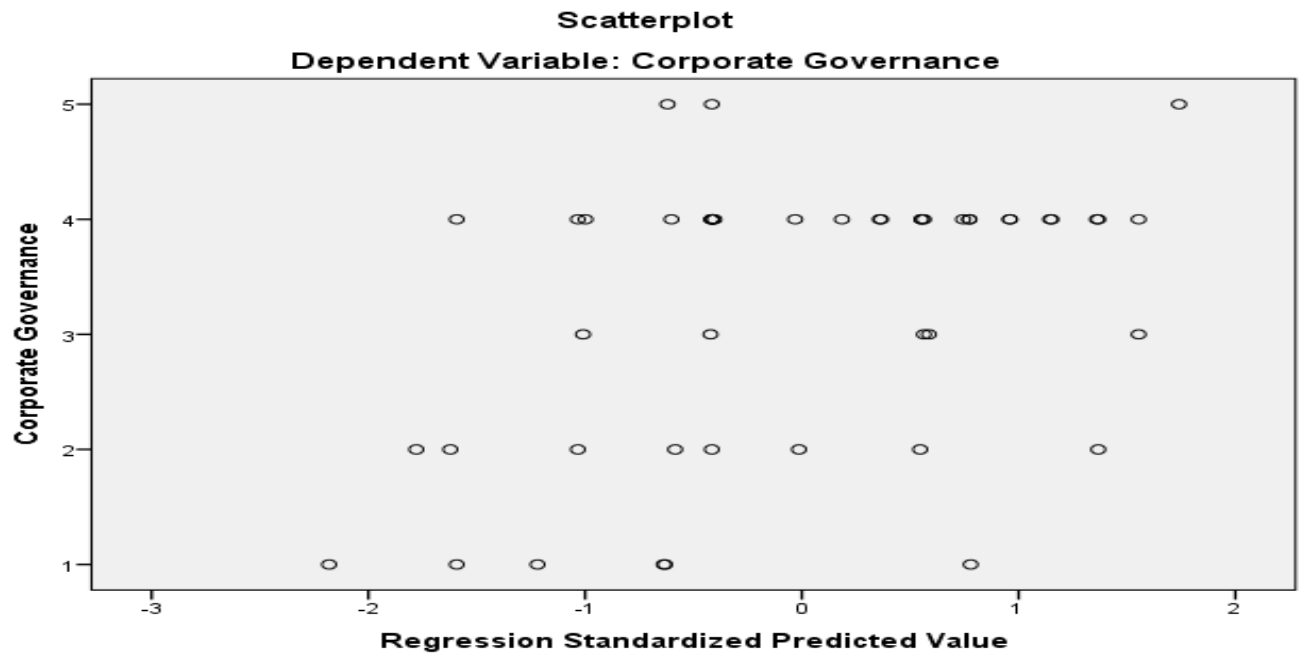
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.18	4.10	3.25	.488	48
Std. Predicted Value	-2.181	1.740	.000	1.000	48
Standard Error of Predicted Value	.197	.534	.318	.068	48
Adjusted Predicted Value	2.33	4.09	3.27	.492	48
Residual	-2.630	2.053	.000	1.090	48
Std. Residual	-2.336	1.823	.000	.968	48
Stud. Residual	-2.432	1.934	-.006	1.013	48
Deleted Residual	-2.852	2.309	-.015	1.195	48
Stud. Deleted Residual	-2.584	1.998	-.012	1.032	48
Mahal. Distance	.454	9.573	2.938	1.740	48
Cook's Distance	.000	.124	.024	.032	48
Centered Leverage Value	.010	.204	.063	.037	48

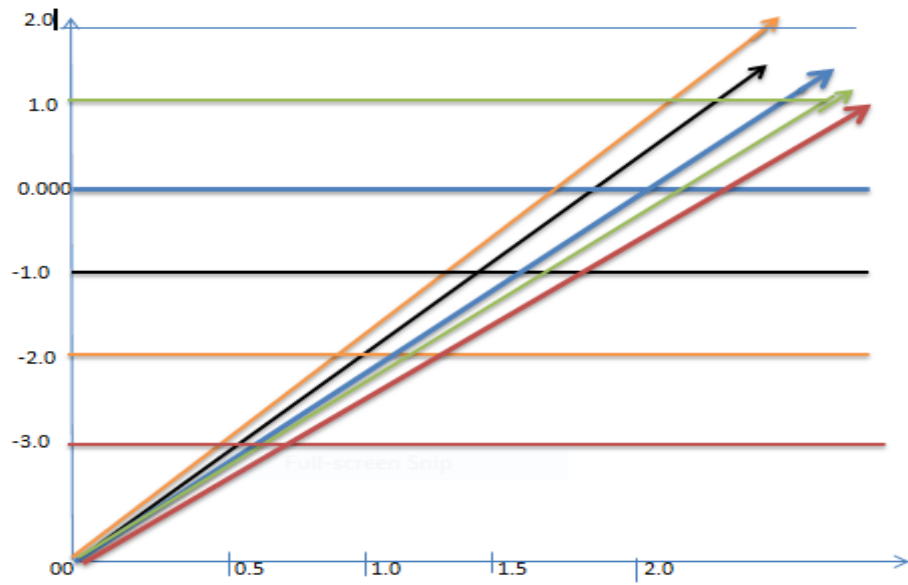
a. Dependent Variable: Corporate Governance

Estimated Distribution Parameters

		Corporate Governance	Internal Control	Internal Audit	Organizational Commitment
Normal Distribution	Location	.95	1.03	1.01	.98
	Scale	.534	.509	.526	.492

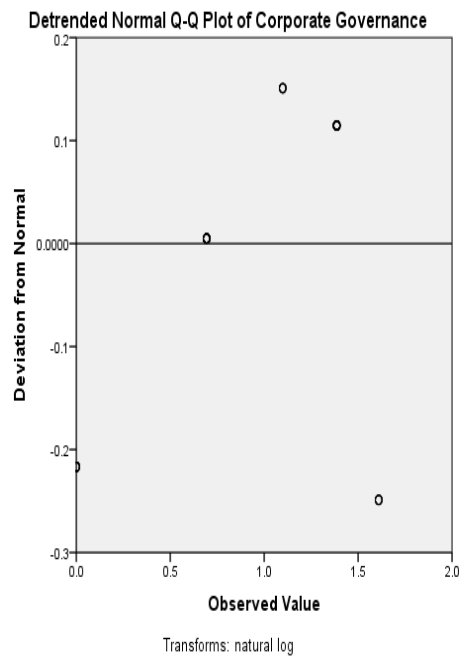
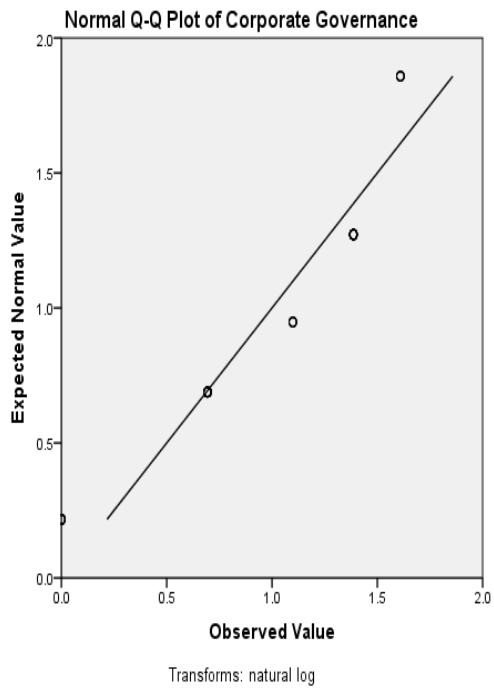
The cases are un weighted.





Key:

- ❖ Normal Q-Q plot of good governance
- ❖ →De trended Normal Q-Q plot of good governance →
- ❖ Normal Q-Q plot of internal audit for good governance
- ❖ →De trended Normal Q-Q plot of internal audit for good governance→
- ❖ Normal Q-Q plot of internal control
- ❖ →De trended Normal Q-Q plot of internal control→
- ❖ Normal Q-Q plot of organizational commitment
- ❖ →De trended Normal Q-Q plot of organizational commitment→



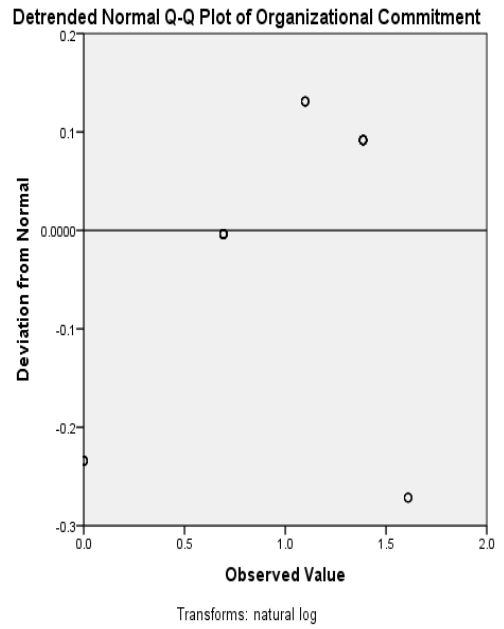
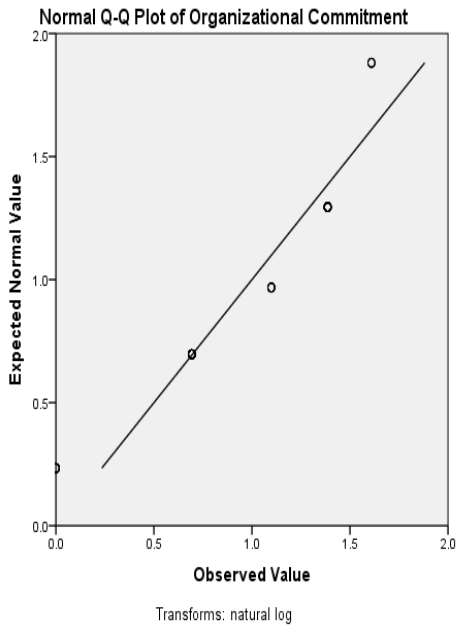
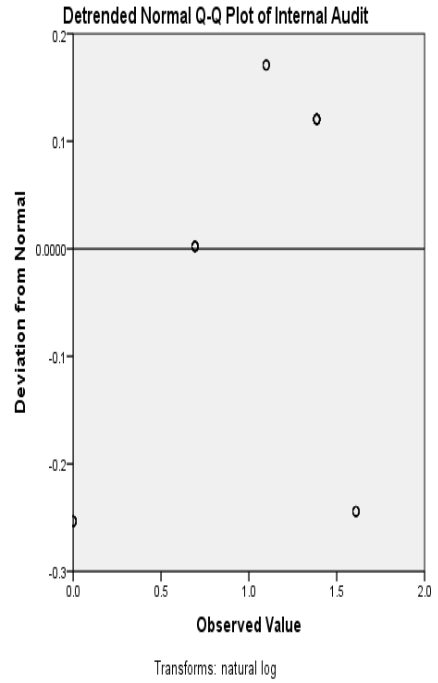
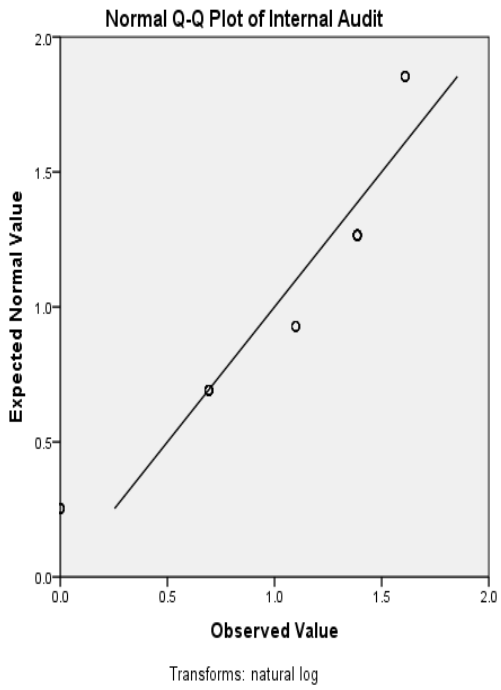


Table A3 The *t*-distribution

The table gives critical values of *t* for significance at various levels, in a two-tailed/non-directional or a one-tailed/directional test, for different numbers of degrees of freedom. These critical values are the values beyond which lies that proportion of the area under the curve which corresponds to the significance level.

<i>Degrees of freedom</i>	<i>Significance level:</i> <i>two-tailed/non-directional</i>				
	<i>0.20</i>	<i>0.10</i>	<i>0.05</i>	<i>0.02</i>	<i>0.01</i>
	<i>Significance level:</i> <i>one-tailed/directional</i>				
	<i>0.10</i>	<i>0.05</i>	<i>0.025</i>	<i>0.01</i>	<i>0.005</i>
1	3.078	6.314	12.71	31.82	63.66
2	1.886	2.920	4.303	6.965	9.925
3	1.638	2.353	3.182	4.541	5.841
4	1.533	2.132	2.776	3.747	4.604
5	1.476	2.015	2.571	3.365	4.032
6	1.440	1.943	2.447	3.143	3.707
7	1.415	1.895	2.365	2.998	3.499
8	1.397	1.860	2.306	2.896	3.355
9	1.383	1.833	2.262	2.821	3.250
10	1.372	1.812	2.228	2.764	3.169
11	1.363	1.796	2.201	2.718	3.106
12	1.356	1.782	2.179	2.681	3.055
13	1.350	1.771	2.160	2.650	3.012
14	1.345	1.761	2.145	2.624	2.977
15	1.341	1.753	2.131	2.602	2.947
16	1.337	1.746	2.120	2.583	2.921
17	1.333	1.740	2.110	2.567	2.898
18	1.330	1.734	2.101	2.552	2.878
19	1.328	1.729	2.093	2.539	2.861
20	1.325	1.725	2.086	2.528	2.845
21	1.323	1.721	2.080	2.518	2.831
22	1.321	1.717	2.074	2.508	2.819
23	1.319	1.714	2.069	2.500	2.807
24	1.318	1.711	2.064	2.492	2.797
25	1.316	1.708	2.060	2.485	2.787
26	1.315	1.706	2.056	2.479	2.779
27	1.314	1.703	2.052	2.473	2.771
28	1.313	1.701	2.048	2.467	2.763
29	1.311	1.699	2.045	2.462	2.756
30	1.310	1.697	2.042	2.457	2.750
40	1.303	1.684	2.021	2.423	2.704
60	1.296	1.671	2.000	2.390	2.660
120	1.289	1.658	1.980	2.358	2.617
∞	1.282	1.645	1.960	2.326	2.576

Table A10 The Spearman rank correlation coefficient

The table gives the critical values of the Spearman rank correlation coefficient, ρ , for different numbers of pairs of observations, N .

<i>N</i>	<i>Significance level: two-tailed/non-directional</i>			
	<i>0.20</i>	<i>0.10</i>	<i>0.05</i>	<i>0.01</i>
<i>N</i>	<i>Significance level: one-tailed/directional</i>			
	<i>0.10</i>	<i>0.05</i>	<i>0.025</i>	<i>0.005</i>
5	0.800	0.900	1.000	—
6	0.657	0.829	0.886	1.000
7	0.571	0.714	0.786	0.929
8	0.524	0.643	0.738	0.881
9	0.483	0.600	0.700	0.833
10	0.455	0.564	0.648	0.794
11	0.427	0.536	0.618	0.755
12	0.406	0.503	0.587	0.727
13	0.385	0.484	0.560	0.703
14	0.367	0.464	0.538	0.679
15	0.354	0.446	0.521	0.654
16	0.341	0.429	0.503	0.635
17	0.328	0.414	0.488	0.618
18	0.317	0.401	0.472	0.600
19	0.309	0.391	0.460	0.584
20	0.299	0.380	0.447	0.570
21	0.292	0.370	0.436	0.556
22	0.284	0.361	0.425	0.544
23	0.278	0.353	0.416	0.532
24	0.271	0.344	0.407	0.521
25	0.265	0.337	0.398	0.511
26	0.259	0.331	0.390	0.501
27	0.255	0.324	0.383	0.492
28	0.250	0.318	0.375	0.483
29	0.245	0.312	0.368	0.475
30	0.240	0.306	0.362	0.467
35	0.222	0.283	0.335	0.433
40	0.207	0.264	0.313	0.405
45	0.194	0.248	0.294	0.382
50	0.184	0.235	0.279	0.363
55	0.175	0.224	0.266	0.346
60	0.168	0.214	0.255	0.331

APPENDIX - II: QUESTIONARE

JIMMA UNIVERSITY

COLLAGE OF BUSINESS AND ECONOMICS

MA IN PUBLIC MANAGMENT

Survey Questionnaire for the Assessment of the Role of Internal Control, Internal Audit and Organizational Commitment for Good Governance

Dear Participant:

Thank you in advance for completing this questionnaire. The intent of this survey is to explore information regarding the overall situation of the Municipality with regard to internal control, internal audit and organizational commitment (the independent variables) and good governance (the dependent variable) for the purpose of conducting a research on the role of the independent variables and the dependent variable in Jimma Town Municipality have been selected to participate in this survey because their strategic position suggests the existence of good organizational governance, an active internal control, internal audit function and organizational commitment. The research is unique and perhaps the first of its kind in Jimma Town Municipality. The results of the study are expected to contribute to the knowledge of the role of internal control, internal audit and organizational commitment for good governance.

The conclusions of the study will be drawn in aggregate terms, without any reference to specific office or individual respondent. Please, do not write your name on the questionnaire.

I would also like to assure you that the information you provided will be treated with the strictest confidence and used for the purpose of this research only. The survey should take no more than 60 minutes to complete. Your responses will be kept anonymous. Only aggregate results will be discussed in any written product derived from the survey data. Please attempt to complete all the questionnaire items as you are able because each and every item is highly valuable to the analysis and conclusion. I would appreciate complete survey responses.

Your honest and thoughtful response is valuable. Once again, feel free and thank you in advance for your support, conductive response and participation. Please contact the researcher if you would like further clarification on the aims of the questionnaire or regarding specific questions.

With best regards, Abdo Jemal

I. PURPOSE OF THE QUESTIONNAIRE

An active and effective governing body, or equivalent, provides an important oversight function and, because of management's ability to override system controls, the committee plays an important role in ensuring effective governance and internal control. The function of good governance in the public sector is to ensure that entities act in the public interest at all times. Acting in the public interest requires:

- Strong commitment to integrity, ethical values, and the rule of law; and
- Openness and comprehensive stakeholder engagement (Participation).

In addition to the requirements for acting in the public interest, achieving good governance in the public sector also requires:

- Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- Determining the interventions necessary to optimize the achievement of intended outcomes;
- Developing the capacity of the entity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and resources management.
- Implementing good practices in transparency and reporting to deliver effective accountability.

Therefore, the purpose of this research is to assess and identify the role of internal control, internal audit, and organizational commitment with good corporate governance. In line with this, you are kindly requested to give your response to your personal profile and each statement related with the oversight and monitoring activities of the Jimma Town Municipality governance, internal control, internal audit and organizational commitment.

II. YOUR PERSONAL (DEMOGRAPHIC) PROFILE:

General Instruction: Please indicate your choice by putting “√” mark in the box.

1. Gender: Male Female
2. Age (in year): 20 to 30 31 to 50 above 50
3. Highest field of study: Accounting Management Economics Other
4. Level of education: Diploma Bachelor's Degree Master's Degree PhD Degree
5. Do you possess professional certification such as CPA, ACCA etc.? Yes No
6. Tenure (Current position): < 5 Yrs. 5-10 Yrs. 11-15 Yrs 16-20 Yrs. >20 Yrs.

III. SURVEY QUESTIONNAIRE

The Questionnaire is prepared in Likert-scale form with five (5) point scales. I ask you to tick (√) the appropriate scale (point) that indicates your opinion in table below. The values of scales are **5= strongly agree, 4=Agree, 3= Neutral, 2= Disagree, 1= strongly disagree**

Item	A. SURVEY QUESTIONNAIRE TO ASSESS INTERNAL CONTROL FRAMEWORK	Scales				
		5	4	3	2	1
	Control Environment					
1	The organization demonstrates a commitment to integrity and ethical values.					
2	The governing and oversight body demonstrates independence from management and exercises oversight of the development and performance of internal control.					
	Risk Assessment					
3	The JTM specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.					
4	The JTM identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.					
5	The JTM considers the potential for fraud in assessing risks to the achievement of objectives.					
	Control Activities					
6	The JTM selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.					
7	The JTM selects and develops general control activities over technology to support the achievement of objectives.					
8	The JTM deploys control activities through policies that establish what is expected and procedures that put policies into place.					
	Information & Communication					
9	The JTM obtains or generates and uses relevant, quality information to support the functioning of internal control.					
10	The JTM internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.					
11	The JTM communicates with external parties regarding matters affecting the functioning of internal control.					
	Monitoring Activities					
12	The JTM selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning					

13	The JTM evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.						
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Item	B. SURVEY QUESTIONNAIRE TO ASSESS INTERNAL AUDIT	Scales				
		5	4	3	2	1
	Internal auditing as a value-added activity					
1	Independence is a key factor for the internal audit activity to add value.					
2	Objectivity is a key factor for the JTM's internal audit activity to add value					
	Systematic approach to evaluate process effectiveness.					
3	The JTM's internal audit activity brings a systematic approach to evaluate the effectiveness of risk management.					
4	The JTM's internal audit activity brings a systematic approach to evaluate the effectiveness of internal controls.					
5	The JTM's internal audit activity brings a systematic approach to evaluate the effectiveness of governance processes.					
	Effective functioning of an internal audit activity.					
6	The JTM's internal audit activity is an independent objective assurance and consulting activity.					
7	The JTM's internal audit activity proactively examines important financial matters, risks, and internal controls.					
8	The JTM's internal audit activity is an integral part of the governance process by providing reliable information to management.					
	Adding value to governance process					
9	Compliance with the International Standards for the Professional Practice of Internal Auditing (Standards) or equivalent standard is a key factor for the JTM's internal audit activity to add value to the governance process.					
	Organizational status for an effective internal audit activity					
10	The JTM's internal audit activity has sufficient status in the organization to be effective.					
11	Internal audit activity is credible within the JTM.					

Item	C. SURVEY QUESTIONNAIRE FOR ORGANIZATIONAL COMMITMENT	Scales				
		5	4	3	2	1
Affective Commitment Scale (ACS)						
1	I really feel as if this organization's problems are my own.					
2	I do not feel a strong sense of "belonging" to my organization.					
3	I do not feel "emotionally attached" to this organization.					
4	I do not feel like "part of the family" at my organization.					
Continuance Commitment Scales (CCS)						
5	It would be very hard for me to leave my organization right now, even if I wanted to.					
6	Too much of my life would be disrupted if I decided I wanted to leave my organization now.					
7	I feel that I have too few options to consider leaving this organization.					
8	If I had not already put so much of myself into this organization, I might consider working elsewhere.					
Normative Commitment Scales (NCS)						
9	Even if it were to my advantage, I do not feel it would be right to leave my organization now.					
10	I would feel guilty if I left my organization now.					
11	This organization deserves my loyalty.					
12	I owe a great deal to my organization.(I feel it is 'morally correct' to dedicate myself to this organization)					

Item	D. SURVEY QUESTIONNAIRE TO ASSESS GOOD GOVERNANCE	Scales				
		5	4	3	2	1
Transparency						
1	The division of roles and responsibilities between governing body members and executive staff of the JTM' is clear and transparent.					
2	The governing body and the JTM have an explicit commitment to openness and transparency in all activities of the entity and acts openly and honestly in all matters, and interests are declared even if the relevance or impact is unclear.					
3	The governing body and JTM ensures that there is a strategy for regular, transparent and effective communication and comprehensive stakeholder engagement the public, customers, funders, media					
Participation						

4	The auditee management and staffs, stakeholders and the public have enough awareness and good perception about the role of JTM and also individual service users and institutional stakeholders have sound trust in the entity.					
5	The governing body and the JTM facilitate discussion with stakeholders and higher civil servants on major shifts in policy and plan and make them parts of the policy-making process and planning process.					
Accountability						
6	The governing body members understand their duties and responsibilities and have a statement defining them.					
7	The governing body works strongly in making officials and members of the JTM accountable for their actions.					
8	Leaders of the JTM and its auditors are encouraged to make tough decisions that are in the national interest.					
Independency						
9	The governing body allows the proper exercise of delegated authority without undue interference, whilst ensuring appropriate monitoring and feedback.					
10	The governing body ensures the independence and objectivity of the JTM as well as the internal audit of the JTM.					
Responsibility						
11	The governing body members have ultimate responsibility for directing the affairs of the organization, ensuring it is sustainable in giving its services, well run and delivering the outcomes for which it has been set up					
12	The governing body regularly reviews a range of information from different sources to ensure the organization is acting in line with its purpose.					
13	The governing body ensures that they have JTM appropriate systems of internal controls, internal audit, performance reporting, policies and procedures and that these systems are reviewed regularly.					

APPENDIX - III: INTERVIEW

I. Interview Guide Questions for Leaders and Head of Departments in JTM

Instructions: Please answer the following statements as understood or practiced by you.

1. In your current position, what are the role of internal control, internal audit and organizational commitment for good governance? Explain in your understanding?
2. What is/are your reasons for the roles above you mention?
3. What are the factors that affect the practice of good governance in your org. or dept.?
4. What you generally suggest or comment on the role of internal control, internal audit and organizational commitment for good governance in JTM in general and your department in particular.

Thank You for Your Cooperation