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Challenges of Implementation of Audit Recommendations: The Case of the Oromia regional state five basic service providing sectors Regional Bureaus.

By

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A project paper submitted to the department of Accounting and Finance (graduate program) in partial fulfillment of the requirements of the degree of Master of Science in Accounting and Auditing

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ADDIS ABABA UNIVERSITY
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January 2018

Addis Ababa, Ethiopia

Declaration

I, **Abebe Dugassa** declare that, this project paper prepared for the partial fulfillment of the requirements for MSC Degree in Accounting and Auditing entitled "**Challenges of Implementation of Audit Recommendations: The Case of the Oromia regional state five basic service providing Sectors Regional Bureaus.**" is prepared with my own effort. I have made it independently with the close advice and guidance of my advisor.

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Date___________

Abstract

This study intended to assess the challenges for the implementation of audit recommendation in the case of the Oromia regional state five basic service providing sectors Regional Bureaus. To address this objective quantitative research approach was adopted. Survey also conducted on five basic service providing sectors Regional Bureaus. To identify various challenges of implementation of audit recommendations, 20 different departments from the five basic service providing sectors Regional Bureaus were subjects of the study. The data obtained statistically was analyzed in the study. The major /key/ areas of audit findings are found in Procurements, Internal revenues, receivables and Constructions. Audit recommendations are not fully implemented in the Oromia regional state five basic service providing sectors Regional Bureaus. Besides, out of twenty one challenging factors seventeen were identified as challenging factors that hinder the implementation of audit recommendation in the case of the Oromia regional state five basic service providing sectors of the Regional Bureaus. In short, inadequacy of competency, lack of top managements support, monitoring and follow up are the main challenging factors for the implementation of audit recommendations in Oromia regional state five basic service providing sectors Regional Bureaus. Generally, the auditee should capacitate their employees (management) to make them competent in order to implement audit recommendations and the top management should support, monitor and follow up the implementation of audit recommendations. In addition, houses of people's representatives and the regional Auditor General should perform effective follow up about the implementation of audit recommendations.

Keywords: challenges, implementation, audit recommendation

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Acronyms

ORAG	Office of Oromia Regional State Auditor Genera
E.C	Ethiopian colander
IIA	Institution of Internal Audit
SAI	Supreme Audit Institution
GAO	General Accounting Office of United State of America
BPK	Badan Pemeriksa Keuangan; Indonesian State Audit Board
EGAS	Ethiopian Government Auditing Standard
BOFEC	Bureau of Finance and Economic cooperation

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CHAPTER ONE
INTRODUCTION

1.1. Background

Government collects and uses public money effectively, efficiently, and economically in service delivery. The source of this money is taxes collected from the citizens and it allocated to the different Public sectors to deliver services to the public in the form of budget. The houses of people's representatives, the regional chaffee, the people's go-between, do this allocation to the different Public sectors in order to deliver services to the public in behalf of the regional people's go-between.

The allocated budget should be executed to the benefit of the public at large. And this may not be always true due to various factors. As a result, the houses of people's representatives, the regional chaffee may lose confidence upon the performance of different Public sectors, the agent of the regional houses of people's representatives.

In order to increase the confidence of the regional houses of people's representatives and the public at large the Office of Oromia Regional State Auditor General (ORAG) was established by proclamation number 90/1997 and reestablished by proclamation number 154/2002.The ORAG contributes towards performance improvements in the administration and management practices of public sector organizations. The recommendations given by ORAG to auditees in order to take an action that are expected to improve entity performance when implemented and it deals with uncertain to the successful delivery of services.

The implementation of audit recommendations is the last point of the audit process that realizes the attainment of audit objectives. Sometimes audit recommendations may not be implemented.

Therefore, this study tried to assess what challenges the Oromia regional state five basic service providing sectors Regional Bureaus (Agriculture, Health, Water, Education and Road) in order to not address the audit recommendations given by ORAG and it expands currently available literature and produce useful findings to help stakeholders of auditing and to the policy maker for proper decision and effective use of public resources.

1.2. Statement of the Problem

Audit recommendation is a critical for good governance in public sector. These is by identifying bottlenecks of better government performance and resource management to improve economy, efficiency and effectiveness of government performance which have policy and legislative requirements. The public sector auditors have the responsibility to provide the intended users with independent, objective and reliable information, conclusions or opinions or recommendation based on sufficient and appropriate audit evidence relating to public entities performance. Whereas, the auditee, public sectors, responsibility is to implement the audit recommendation. Public sector accountability can be achieved through audit results and recommendations. The achievements of public sector audit objectives are determined by the implementation of audit recommendations which in turn affect better government performance and resource management.

Even if the public sector audit practice in Ethiopia shows a progress, putting into action of audit recommendation has been still challenging. This limits the effectiveness of audit report. (Office of Oromia Auditor General Audit follows up report, 2006-2008 E.C)

The researcher reviewed three years (2006-2008 E.C) audit report and audit follow up section of Office of Oromia Auditor General to identify whether audit recommendations provided by auditors to five basic service providing sectors of Oromia Regional Bureaus were implemented or not.

As the reports of Office of Oromia Auditor General audit follow up section shows, the implementation of audit recommendations for the three years (2006-2008 E.C) was not as it expected. As a result inefficiency, ineffectiveness and waste of public resources are increasingly high. This issue indicates that, there is something that challenges audit clients to implement audit recommendations. Thus, the researcher assessed these challenges for the implementation of audit recommendation in the case of the Oromia regional state five basic service providing sectors Regional Bureaus.

As far as the researcher's knowledge, no extensive prior research is conducted in the region to assess the challenges for the implementation of audit recommendation in the public sector of Oromia. Oromia State university conduct a related research on the implementation of audit recommendation in the public sector of Oromia but it did not include the challenges for the implementation of audit recommendation in the public sector of Oromia. Thus, this research seeks to fill the above gap and that of empirical literature.

1.3. Research Questions

This research tries to respond the following research questions:

- What are the major areas of audit findings?
- Which audit findings was not addressed by auditee?
- What are the challenges for the implementation of audit recommendation?

1.4. Objective of the Study

1.4.1 General Objective

The overall objective of this research is to assess the challenges for the implementation of audit recommendation in the case of the Oromia regional state five basic service providing sectors Regional Bureaus.

1.4.2. Specific Objectives

The specific objectives of the study are:

1. To identify the major areas of audit findings
2. To identify the most areas of not addressed audit findings
3. To identify the challenges for the implementation of audit recommendation.

1.5. Significance of the Study

This research identify the challenges for the implementation of audit recommendation by providing empirical evidence that increase the body of knowledge in understanding the most areas of not addressed audit findings for corporate governance effectiveness.

Furthermore, this study also have a paramount importance in providing a better ground for government, specifically, the management, higher responsible and oversight body, and future policy maker for improving efficiency in the management of public finances.

In addition, the researcher also believes that this study can potentially serve as a stepping stone for further research in the area.

1.6. Scope of the study

The study is delimited to the major areas of audit findings, the most areas of not implemented audit findings and the challenges for the implementation of audit recommendation in Oromia regional state five basic service providing sectors Regional Bureaus.

On the other hand, the study only took the period of 2006-2008 E.C. budget years of regulatory/financial/ audit recommendations (not performance and other type of audits) given by Office of the Oromia Auditor General in the case of sampled Regional Bureaus into consideration.

1.7. Limitation of the study

The reluctance of some respondents to provide the required data may be limitations of the study. Shortage of time and absence of research fund also other limiting factors of the findings of the study in order extend to other sectors. However, we can infer about the other sectors.

1.8. Organization of the study

The research was structured in five chapters. The first chapter consists of introduction, statement of the problem being focused, and objectives of the study, research questions, and significance of the study, scope and limitation of the study. The second chapter is concern with the review of different researches and related literature dealing with the public sector audit and factors affecting implementation of audit recommendation and third chapter is presented research methodology used in conducting the study, research design, population and sampling technique, data collection, survey instruments, and methods of data analysis and validity of the study. The fourth chapter presents and analyzes the results. Finally, the chapter five presents conclusions and recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is focused on previous or existing literature related to the area under study and tries to relate these existing literatures to the current study. The main essence of this chapter is to get a grasp of what is already known within the area of this study. This chapter focuses on concepts of accountability and audit, public sector auditing, types of audit, theoretical literature review and finally a conceptual framework.

When the organization has not achieved its financial or operational performance goals, or when problems are detected in operations or the use of funds, a good governance system will identify the root cause of the problems, determine the corrective actions needed, and follow up to determine whether those actions were implemented effectively. Auditor' findings and recommendations represent critical input to good governance that can lead organizations to remedy identified weaknesses and deficiencies promptly and appropriately. (IIA, 2012)

In terms of democratic accountability, an audit provides professionally structured and independent information to a variety of actors in the accountability process (White & Hollingsworth, 1999).

Since public sector entities act as "agents" to use resources and authority to accomplish established goals, they must account for how they use the resources and the results they have accomplished. Accordingly, good governance requires regular financial and performance reporting that is validated for accuracy by an independent auditor. Accountability also implies imposing penalties or sanctions against those who have misapplied the resources for purposes other than intended. (IIA, 2012)

2.1.1. Accountability and audit

Public sector audit has experienced considerable expansion throughout the world. The reason for this is closely related to changes in the structure of government and concern for more accountable and transparent governance, which has resulted in a large increase in the number of accounts and sophistication of financial reporting. The expansion has brought with it an added demand for accountability (Dowdall, 2003).

The public sector plays an important role in economic development. It provides services which the private sector may not be willing or able to provide. To run the affairs of public sector, government is entrusted with public funds and other resources. It is therefore expected to adhere to the highest ethical standards, transparency and accountability to ensure optimum utilization of such resources which could be achieved through a combination of individual professionalism, personal standards and a rigorous control framework (Chan, 1988)

Auditing keeps the budget recipient accountable by conducting different types of audit. There other organs and techniques to evaluate monitor and assessment of public institutions but audit bears the prime responsibility in the function of keeping the auditee accountable in using the public fund. So, accountability depends on audit activities. And there exist a relationship between the effectiveness of audit with auditor's credibility and simultaneously of auditee's role (White & Hollingsworth, 1999).

Academic authors have clearly described the development of public sector auditing in developed countries in line with the demand for more effective public accountability. Accountability is an essential process to ensure the elected politicians or public offices appointed to act responsibly and transparently (Schultz, 2004)

2.1.2. Public sector auditing

Public sector auditing is conducted in the environment where governments and other public sector entities are the parties responsible for resources raised from taxpayers and other sources for use in the provision of services to citizens and other service recipients. These entities are accountable for their management and performance, and their use of resources to those that provide them with the resources and those that depend on them to use the resources to deliver necessary services, including citizens. Public sector auditing helps to create the conditions and to reinforce the expectation that public sector entities and public servants will perform their functions effectively, efficiently, ethically and in accordance with laws and regulations. (IIA,2012)

Public sector auditing contributes to improved public sector administration by:

- Enhancing accountability, transparency and encouraging continuous improvement in the appropriate use of public funds and assets and, of public administration performance.
- Facilitating the functions of those bodies within the constitutional arrangement which exercise general oversight and corrective functions over those responsible for the management of publicly funded activities.
- Providing intended users with independent, objective and reliable information, conclusions or opinions based on sufficient appropriate evidence relating to public entities or publicly funded entities.

- Creating incentives for change by providing new knowledge, comprehensive analysis and well founded recommendations for improvement. (IIA,2012)

The government, shareholders and other users of accounting information need to know whether funds are used properly in compliance with the government rules and policies, also whether the organization are achieving the purpose for which it was set up. Nwaorgu (2003) and Johnson (2004) posit that auditors in the public sector ensures that funds have been expended in accordance with the terms by which such monies were appropriated and that accounts have been properly prepared

2.1.3. Types of Public sector audit

Financial statement audit: This type of audit is conducted to determine whether the overall financial statements such as income statement, balance sheet, statements of retained earnings and cash flow statements are stated in conformity with generally accepted accounting principles. (ISSAI 1200 P4)

The assumption underlying an audit of financial statements is that different groups will use these statements for different purposes. Therefore, the contribution of an independent auditor is to give credibility to financial statements. Credibility means that the financial statements can be believed; that is they can be relied upon by outsiders. Audited financial statements are now the accepted means by which business corporations report their operating results and the financial position. (ISSAI 1200 P4)

Operational audit: An operational audit is a review of any part of an organization’s operating procedures and methods for the purpose of evaluating efficiency and effectiveness. At the completion of an operational audit, recommendations to the management for improving operations are normally expected. This audit is designed to measure the performance of an organization, which can be evaluated in terms of efficiency and effectiveness. (ISSAI 1200 P4)

Compliance Audit: This type of audit helps to determine whether the auditee is following specific procedures or rules set out by some higher authority such as management, government, board of directors etc. The performance of compliance audit is dependent upon the existence of verifiable data and of recognized criteria or standards established by an authoritative body. (ISSAI 1200 P4)

Forensic audit: A forensic audit’s purpose is the detection of a wide variety of fraudulent activities. Some of the examples where forensic audit might be conducted include:

- Business or employee fraud
- criminal investigations
- shareholders and partners disputes

- Business economic losses

However, the most common types of SAI audits are regularity and performance audits. (ISSAI 1200 P4)

Regularity audit embraces:

- Attestation of financial accountability of accountable entities, involving examination and evaluation of financial records and expression of opinions on financial statements;
- Attestation of financial accountability of the government administration as a whole;
- Audit of financial systems and transactions, including an evaluation of compliance statutes and regulations;
- Audit of internal control and internal audit functions;
- Audit of the probity and propriety of administrative decisions taken within the audited entity; and
- Reporting of any other matters arising from or relating to the audit that the SAI considers necessary to disclose. (ISSAI 1200 P4)

Frequently, as part of the regularity audits, SAIs expresses opinions as to whether the financial statements fairly present the financial position and financial results of the entity. As independent auditors of SAIs, they are required to report their findings after examining the financial and performance of the public sector agencies to the public (Chaturverdi 1987; Guthrie and English 1997).

A timely report of external public sector auditors to members of Parliament and ministers is essential in communicating audit findings. Scanlan (1998) argued that the timely nature of reports to Parliament is the most real and concrete result of audit work as an early warning for stakeholders to put further attention and scrutiny on unnoticed issues in accountability and performance of the public sector.

2.1.4. Audit opinion

When an audit opinion is used to convey the level of assurance, the opinion should be in a standardized format. The opinion may be unmodified or modified.

• **Unmodified opinion**- is used when either limited or reasonable assurance has been obtained. It is given when:

- ➢ The financial statements have been prepared using acceptable accounting bases and policies which have been consistently applied;

- The statements comply with statutory requirements and relevant regulations;
- The view presented by the financial statements is consistent with the auditor's knowledge of the audited entity; and
- There is adequate disclosure of all material matters relevant to the financial statements. (ISSAI-100, page 15)

- **A modified opinion may be:**

1. ***Qualified (except for)*** – where the auditor disagrees with, or is unable to obtain sufficient and appropriate audit evidence about, certain items in the subject matter which are, or could be, material but not pervasive; (ISSAI-100, page 15)
2. ***Adverse*** – where the auditor, having obtained sufficient and appropriate audit evidence, concludes that deviations or misstatements, whether individually or in the aggregate, are both material and pervasive; (ISSAI-100, page 15)
3. ***Disclaimed*** – where the auditor is unable to obtain sufficient and appropriate audit evidence due to an uncertainty or scope limitation which is both material and pervasive. (ISSAI-100, page 15)

Where the opinion is modified the reasons should be put in perspective by clearly explaining, with reference to the applicable criteria, the nature and extent of the modification. Depending on the type of audit, recommendations for corrective action and any contributing internal control deficiencies may also be included in the report. (ISSAI-100, page 15)

2.2. Theoretical Literature Review

There are several different theories that may explain the demand for audit Services.

The four important audit theories that explain the demand for audit services are as follows:

2.2.1 The policeman theory

The policeman theory claims that the auditor is responsible for searching, discovering and preventing fraud. In the early 20th century this was certainly the case. However, more recently the main focus of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements.

The detection of fraud is, however, still a hot topic in the debate on the auditor's responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud. (Hayes et al., 1999).

2.2.2. The lending credibility theory

The lending credibility theory suggests that the primary function of the audit is to add credibility to the financial statements. In this view the service that the auditors are selling to the clients is credibility. Audited financial statements are seen to have elements that increase the financial statement users' confidence in the figures presented by management. Under this it is believed that the quality of investment decisions will improve when they are based on reliable and credible information. (Hayes et al., 1999).

2.2.3. The theory of inspired confidence or Theory of rational expectations

States that the demand for audit services is the direct consequence of the participation of third parties or outside stakeholders in the company. These parties demand accountability from the management, in return for their investments in the company. (Hayes et al., 1999).

Accountability is realized through the issuance of periodic financial reports. Though, information provided by the management could be biased due to conflict of interest, and outside parties do not have direct means of monitoring, an audit is required to assure the reliability of this information (Hayes et al., 1999).

2.2.4. Agency theory

Agency theory postulates that an organization consists of a nexus of contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling those resources (Jensen &Meckling, 1976). The theory is based on the premise that agents have more information than principals and that this information asymmetry adversely results in moral hazard, and affects the principals‟ ability to monitor effectively whether their interests are being properly served by agents. It also assumes that principals and agents act rationally and that they will use the contracting process to maximize their wealth. Managers of public resources are agents who are charged with using and controlling the public resources, and are accountable to their principals for the resources provided to carry out government programs and services. These principals are both the citizens and other government officials, such as elected officials (Jensen &Meckling, 1976).

2.3. Empirical Literature Review

General Accounting Office study (GAO 1986), which revealed that 34 percent of the 120 audits examined were substandard. This finding raised concern as to the quality of government audits and the extent of management's implementation of audit recommendations. Although subsequent studies show improvement in the quality of government audits (Lowensohn&Reck, 2004; General Accounting Office, 1989), there remain concerns about audit processes and their impact on public managers' implementation of corrective actions to address the issues identified. Behn, Carcello, Hermanson and Hermanson (1997) examined the effects of audit quality factors on auditee (audit client) satisfaction in the private sector. More recently, Samelson, Lowensohn and Johnson (2006) extended these studies to the external governmental audit by examining audit attributes that influence government finance officers' perceived audit quality and auditee satisfaction.

Other Some scholars have argued that auditing has contributed to promoting the implementation of accountability in the public sector. Brooks and Parisher (1995) claimed that public sector auditing is the key element in examining and evaluating government accountability in using public money and providing services to the public. Predengast (2003) believed that the ability of bureaucracies to allocate public goods leads to a high level of inefficiency in the public sector. Public sector auditing can be an essential element in ensuring efficiency, effectiveness and accountability of the government to the public (Barrett, 2000).

Research works in Bangladesh revealed that audit category; traits of the auditee and auditor, planning on how much audit was following recommendations were key indicators of audit effectiveness.

"The sovereign Parliament of Bangladesh has the ultimate responsibility to ensure financial accountability and transparency in the management of public resources. The concept of audit occupies a central part in public financial administration. Audit is, generally, conducted for two purposes. The one is to identify violations of accepted standards of ethics, and deviations from the principles of legality, efficiency, effectiveness and economy in resource management. The other is to make public managers responsible for their conduct and for their use of public funds and to motivate them to take corrective measures to prevent violations from recurring." Keah Hope Matendera(2013, page 16)

"The effectiveness of internal audit and external audit in determining financial reporting irregularities. They conducted an experimental study that examined the effects of manager's perception of internal and external auditing on the potential of financial irregularities." Keah Hope Matendera(2013, page 17)

"A survey of local government audit executives was conducted to determine various aspects of the local government internal audit process and their relationships with audit client management's adoption of audit recommendations. Results show that client management's adoption of audit recommendation is a function of auditor professional designation, due diligence, client relations, documentation and tracking of audit recommendations, as well as of follow-up audits to verify implementation of agreed-upon action plans." Stephen Kwamena Aikins(2012, page 195)

Septiana (2011) in his research titled effectiveness of public sector audit report revealed that auditees found difficulties in following up audit reports and recommendations.

Moreover, lack of responsiveness of auditees to make changes for improvement based on auditors recommendations taken as a factor that affect acting on audit information. Auditees found that auditors could not provide realistic recommendations that could be implemented in the short or medium term by auditees. As a result, BPK (Badan Pemeriksa Keuangan; Indonesian State Audit Board) recommendations do not change from year to year and also the research revealed that although the mandate for public sector agencies to follow up BPK audit reports has been provided in audit regulations, the evidence shows that the rate of follow up of BPK findings and reports is still very low. This study revealed that Members of Parliament found it difficult to encourage public sector agencies to follow up on BPK reports. Public sector agencies were aware of the importance of following up on BPK audit findings, but auditees, in the short term, found it hard to follow up and to meet all the data, information and recommendations as requested by BPK auditors. Septiana Dwiputrianti (2011 page 174,175,185)

According to Power (1997) audits are demanded within the context of relations involving accountability between two parties and the operational difficulties of one party monitoring the activities of another and also be believes that the core of the modern external audit is an independent examination of, and the expression of an opinion on the financial statements of an enterprise by a qualified auditor.

As far as the researcher's knowledge, no extensive prior research is conducted in the region to assess the challenges for the implementation of audit recommendation in the public sector of Oromia. Oromia State university conduct a related research on the implementation of audit recommendation in the public sector of Oromia but it did not include the challenges for the implementation of audit recommendation in the public sector of Oromia. Thus, this research seeks to fill the above gap and that of empirical literature.

Government audit organizations regularly disclose a wide variety of ways to improve government programs and operations through their recommendations. Because recommendations in audit reports highlight actions that are expected to improve entity performance when implemented and generally address risks to the successful delivery of outcomes. The appropriate and timely implementation of recommendations that have been agreed by entity management is an important part of realizing the full benefit of an audit.

However, Oromia regional state basic service providing sectors Regional Bureaus and other institutions failed to use budget properly, non-comply with rules and regulations, prepare untimely reports and also fail to implement audit recommendations. (Office of Oromia Auditor General Audit follows up report, 2006-2008 E.C)

The main reason for not Implementing Audit Recommendations by auditee that is identified by audit follow up section of OAG includes:

- Lack of strict follow up after audit recommendations
- Lack of leaders commitment to implement audit recommendations, and
- Absence of implementation of progress report

2.3.1 Realistic and constructive recommendation

The new auditing state finances standard (BPK RI, 2007) requires auditors to convey recommendations on corrective measures to improve performance in problem areas of public sector agencies (Paragraph 24). Based on this standard, audit recommendations are to provide potential corrections, to improve compliance with laws and regulations, and to encourage follow up of previous recommendations that were not done. In providing constructive and realistic recommendations, the BPK standard provides guidelines that are: (i) aimed at problem solving, (ii) oriented to real and specific actions, (iii) aimed at authorities to take action, (iv) Focused on concrete solutions, and (v) aimed at reasonable expenses/costs. In the same fashion, the Ethiopian government auditing standard (EGAS) Reporting standard 4.3.14 stated that recommendations should be constructive and directed at resolving the cause of identified problems. They should also be specific, action oriented, practical and feasible, addressed to parties that have the authority to act. Auditors have to provide realistic and practicable audit recommendations for auditees to implement in order to improve their performance and public administration in general (Taylor 1996). Gendron

(2007) underlined the essential nature of auditor's expertise in issuing recommendations and constructing performance guidance measurements to improve the management of government.

Adams(1994) states that coupled with education and professional training enables the audit team to better understand the internal control structure, and perform quality fieldwork by designing and performing appropriate audit test, and by providing value-added recommendations, thereby facilitating acceptance and implementation of those recommendations. This will then help the agent/public manager demonstrate to the principal that the public resources are being judiciously utilized. One of the measurements for the quality of effective information in audit reports is the provision of realistic audit recommendations.

Wilkins (1995) pointed out that the improvement in public sector accountability can be achieved through audit results and recommendations. This means that public sector audits can be effective if auditees put into action audit recommendations for better government performance and resource management, which will improve economy, efficiency and effectiveness. Whether audit results are achieved depends on the quality of the recommendation. A recommendation that is not convincing will not be implemented. A recommendation that does not correct the basic cause of a deficiency may not achieve the intended result.

2.3.2. Commitment to Results

In fact, in a governmental setting, while perceptions of audit quality and auditee satisfaction are important, the translation of satisfaction and perceptions into auditee implementation of audit recommendations to improve internal controls is more significant given the need for public managers to be accountable to stakeholders and the general public. (Stephen, 2012)

VanGansberghe (2005) in his study stated that implementation of audit recommendations is highly relevant to audit results.

Sawyer (1995) stated that management's commitment to use audit recommendations and its support in strengthening internal audit is vital to audit effectiveness.

The management's commitment to implement audit recommendations improves the operation of the auditee, as a result of which the auditee attributes would improve to the benefit of audit effectiveness (GAO, 1991). Therefore, Audit findings and recommendations would not serve much purpose unless management is committed to implement them.

2.3.3 Follow-up and Monitoring system

The quality of information is also indicated by the follow up to the audit report findings and recommendations. The advantages of auditing can only be realized when findings and recommendations have been followed up. Following up of auditing can be in the form of discussion in Parliament and corrective action in government-audited entities (Marsidi 2002; Thai 1992). Without any follow up from Parliament, the Executive, or investigators, audit reports are useless and public accountability cannot be enforced. This means that an audit office provides audit report information to raise political interest among members of Parliament to follow up by presenting political oversight and control that offers further action. Moreover, Chowd (2005) suggested that effective monitoring and controlling is needed for the implementation of the audit follow-up recommendations.

According to Spencer (2003) to ensure the reasonable assurance regarding achievement of the organizations objectives, the monitoring process should be performed to evaluate and assess the systems of internal control to ensure that the procedures are consistently applied over an extended period of time.

Monitoring of internal control should include policies and procedures for ensuring that the findings of audits and other reviews are promptly resolved. According to Coffin (2003) monitoring entails the activities and procedures designed to assess the effectiveness of the internal control system in achieving the entity's financial reporting objectives.

Monitoring activities may be ongoing or may be separate evaluations and it is important given the complex and dynamic environments faced by most organizations (Henle, 2005). It seeks to ensure that systems are performing as intended. However, this is accomplished through ongoing monitoring activities, periodic evaluations or a combination of the two (COSO, 2004). Monitoring is done continuously by external auditors, internal auditors and management; to review and evaluate the effectiveness of internal control, if corrective actions are required.

Triadji (2004) described a situation where there was an absence of internal control to prevent corrupt government management, and a lack of follow-up of an external audit report that caused difficulty in addressing accountability, and achieving transparency and good governance.

Stephan (2012) from a practical perspective, states that client management adoption of audit recommendations as a result of auditors tracking and monitoring those recommendations will help to enhance public accountability in the public management process. Therefore, local government's internal auditors should improve the documentation, monitoring and follow-up of client resolution of audit findings and recommendations in order to strengthen public accountability.

Walker (1996) underlined that: Though the management should take responsibility for the risks of not implementing the audit recommendations, it should be the responsibilities of internal audit to follow-up the results. Keating(1995) claims that the internal audit work is only beginning when audit reports are issued. This emphasizes that follow-up is critical to bring about audit outcomes. If follow-up is weak or absent, the impetus gained by audit recommendations will be lost and the credibility of internal audit will suffer. If follow-up is absent, highlighting the status of unresolved past audit issues could minimize its effect.

Summary of literature review

From the literature review, Public sector auditing contributes to improved public sector administration by enhancing accountability, transparency and encouraging continuous improvement in the appropriate use of public funds and assets and, of public administration performance. The improvement in public sector accountability can be achieved through audit results and recommendations.

The appropriate and timely implementation of recommendations that have been agreed by entity management is an important part of realizing the full benefit of an audit. However, several researchers seem to agree that there are various challenging factors that affect the adoption of audit recommendation. Among them quality of audit recommendation, management commitment, monitoring and follow up of audit recommendations, auditor professional designation, due diligence, client relations, documentation and tracking of audit recommendations are the main factors. Since there are no sufficient studies conducted regarding affecting factor issues in the Oromia context, extensive studies for continuous improvements in implementation of audit recommendation are needed in public organization to achieve the regional planned objective.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1. Introduction

This chapter shows the research methodology, which reflects how the study is conducted. The chapter also looks at the reason why the researcher choose each of the options used in the study.

According to Catherine (2002), the research methodology is the philosophy or general principle which guides the research. The research problems, personal experiences and different philosophy of research methodology show the choice of appropriate research methods.

The main themes which are discussed under this chapter are: method used under this study (quantitative research approach, sources of data, sampling and instrument design, data analysis and interpretations).

3. 2 Methods adopted: quantitative research approach

Research methods are the tools where the researchers used to collect the data (Catherine (2002). The study used quantitative research approach to provide further explanations and new insights about the challenges of the implementation of audit recommendation.

3.3 Sources of data

Under this study, there were two sources of data collection: primary and secondary sources. The primary source of data collected was the first hand information from questioners that appropriately suit the study based on the researcher's assumed perceptions. On the other hand, secondary source is the data already processed and stored also used. This information came from official documented data, journals, articles, newspapers, text books and internet etc. The primary source was the main empirical data for the analysis, while the secondary source used to describe theories and in the literature review.

Questionnaires: Questionnaire is a type of data gathering techniques where respondents write answers to questions posed by the researcher on a question form. A number of respondents were asked identical questions, in order to gain information that can be analyzed. The types of questioners were closed ended questions. Questionnaires can save time but the response rate may be low.

A self-made questioner was distributed among Oromia regional state five basic service providing sectors Regional Bureaus to know their perception concerning the challenges for the implementation of audit recommendation. The closed ended questioner was designed based on Likert scale model with 5 choices; “strongly agree”, “agree”, “neutral”, “disagree” and “strongly disagree”. The reason why the researcher chose to use a Likert scale is because it is suitable for measuring attitudes which is enshrined in the purpose of this study. The questionnaire was distributed among 115 concerned employees from Oromia regional state five basic service providing sectors Regional Bureaus.

3.4 Population, Sample and instrument design

Sampling is the process of systematically choosing a sub-set of the total population that the researchers are interested in surveying. Regarding to these Paula et al. (2001) noted that, sampling refers to drawing a sample or selecting a subset of elements from a population. The design of a sampling strategy is an important issue for a research study and it can be a powerful tool for accurately measuring opinions and characteristics of a population. The usual goal in sampling is to produce a representative sample. As it is stated by Paula et al. (2001), a perfect representative sample would be a mirror image of the population from which it was selected.

According to research scholars, sample should not be too large to be economical and should not be too small to keep validity of findings. This study uses purposive sampling because every respondents have no the same knowledge of auditing and audit recommendations.

The sample size is set at 115 which are 50% as summarized in table 3.1 below. Sampling is the process by which a relatively small number of individual objects, and events is selected and analyzed in order to find out at something about relational population from the selected.

Table 3.1 Sample size and departments of respondents

Department	No of employees(population)	Sample size
Finance, procurement and property Administration	185	80
Internal audit	35	25
Bureau head	5	5
Deputy Bureau head	5	5
total	**230**	**115**

The other issue is the instrument tool design used for the collection of data under this study. As it is mentioned before, the instrument tool was close ended questions for the target participants. This is due to the fact that, close ended questions are suitable for the quantitative approach to measure definitive types of response rather than subjective as to identify the challenges for the implementation of audit recommendation.

3.5 Data analysis, interpretations, and presentation

To analyze the raw data gathered from the target participants, the researcher used SPSS. Because the researcher believes that a specialized statistics program like SPSS can provide sufficient tools for analyzing the data. Therefore, the quantitative data from the questionnaires was analyzed using simple descriptive statistics. This enabled the researchers to analyze the challenges for the implementation of audit recommendation.

3.6 Validity and Reliability

Validity defined as the extent to which data collection method or methods accurately measure what they intended to measure. To ensure the validity of the study: Data was collected from the reliable sources. As suggested by Cronbach (1951) and Nunnally (1978), the measure of internal consistence or reliability of likert scale (Psychometric test) scores the reliability Coefficients between 0.7 to 0.9 generally found to be internally consistent. The reliability Coefficients of the test Audit recommendation itself, Competency, Top management support, Monitoring, Follow-up and Implementation of audit recommendations variables were tested by using

Cronbach Alpha formula and the reliability Coefficient were found to be 0.777, 0.733, 0.731, 0.730, 0.728 and 0.780 respectively. Therefore, the test was reliable enough to use for the research purpose.

Table 3.2 Reliability result of Audit recommendation itself, Competency, Top management support, Monitoring, Follow-up and Implementation of audit recommendations.

Cronbach's Alpha Coefficient	**Variables**	**Number of Items**
Alpha = 0.777	Audit recommendation itself	5
Alpha = 0.733	Competency	3
Alpha = 0.731	Top management support	6
Alpha = 0.730	Monitoring	3
Alpha = 0.728	Follow-up	4
Alpha = .780	Implementation of audit recommendations	5

Source: SPSS 2017 (Cronbach (1951)

3.7 Ethical Considerations

The research addresses all relevant ethical considerations such as the issues of privacy and transparency. In addition, ethical principles like honesty, objectivity, integrity, carefulness, openness, confidentiality, social responsibilities, legality were considered at all levels of the research.

CHAPTER FOUR

RESULTS AND ANALYSIS

4.1. Introduction

In this chapter, the researcher presents the results from the questionnaires and analyzes them based on the results in different themes. Accordingly, the chapter presents the results of the challenges for the implementation of audit recommendation in the case of the Oromia regional state five basic service providing sectors Regional Bureaus.

As mentioned in chapter three, under this chapter, the results which are gained from the respondents were presented and analyzed with the help of SPSS (i.e. simple descriptive statistics). In general, the above mentioned items are briefly presented and discussed in the subsequent sections of this chapter.

4.2. Survey Results and Analysis

A survey has been carried out using the attached questionnaire (Annex1) with the goal of assessing various challenges for the implementation of audit recommendation in the case of the Oromia regional state five basic service providing sectors Regional Bureaus. This section presents the results and analysis of the data collected using self-administered questionnaire from sample of 115 employees of different departments in the Oromia regional state basic service providing sectors Regional Bureaus out of which 100 % of them have responded.

4.2.1. Respondents' Profile

Analyzing the demographic profile of the respondents to validate reliability of data collected is very important. Accordingly, the respondents were asked to their level of education, field of qualification and year of experience. The information processed was summarized as follows.

4.2.1.1. The education of Respondents'

The knowledge and skill of the employee's contribute to the implementation of audit recommendation. These were obtained through education. As summarized in Table 4.1 below, almost all the respondents (95%) have academic competences of degree and above which is favorable. Only 5% holds the diploma. This shows that most employees of the Oromia regional state basic service providing sectors Regional Bureaus are qualified for their jobs and to analyze and implement audit recommendation.

Table 4.1 Response of respondent's on the level of their education

Level of education	Frequency	Percent
Diploma	6	5
Degree and above	109	95

4.2.1.2. The field of qualification of Respondents'

The respondents with knowledge of management and accounting understand the concept of internal control system than others. Thus, the survey made to assess the areas of qualification of the respondents to know the respondents understanding of questionnaire. The results were presented in table 4.2 and indicated that 46 % of the respondents were qualified in accounting and 26 % were qualified in management. And only 28% of the respondents were from other field of study. This means most of the respondents had at least has the theoretical education on the concept of internal control.

Table 4.2: Field Of Qualification

Field of study	Frequency	Percent
Accounting	53	46
Management	30	26
Others	32	28

4.2.1.3. The experience of Respondents'

The other background information of the respondents is years of working experience.

The years of respondent's experience is shown in the table 4. 3 below.

Table 4.3: Years of working experience

Year	< 5	5-10	>10	Total
Frequency	2	36	77	115
Percent	2	31	67	100

As shown in the table 4.3 above, the distribution of years of experience that the respondents had with working in the auditing profession was not fairly spread out among the categories. Out of 115 respondents, 2 respondents (2% of total respondents) represent a group that covers 1 to 5 years of experience. This shows that they are not much experienced. 36 respondents (31%) of the respondents are found under the range of 5-10 years of experience. On the other hand, the group that is most represented is above 10 years of experience which involves 77 respondents that is 67% of the total respondents. This implies that greater than half of the respondents have more than 10 years of experience working in the auditing profession. That is, most of the respondents are well experienced to respond the questionnaire. In general, the respondents profile indicates that, the respondents were good enough to respond to the questionnaire and they had the knowledge and experiences to understand internal control system.

4.3 knowledge of the role of an external auditor and audit opinion

This part of the research is to identify whether the respondents had any knowledge about the role of an external auditor and audit opinion and it is stated in the following table 4.4 below.

Table 4.4 Response of respondent's on the knowledge of the role of an external auditor and audit opinion

Items	**Yes**		**No**	
	Frequency	%	Frequency	%
Have the knowledge of the role of an external auditor?	105	91	10	9
Have the knowledge of the role of an audit opinion?	105	91	10	9

According to the above (table 4.4) findings, 91% of the respondents indicate that they had knowledge of audit opinion and the role of an external auditor expected to play to strengthen corporate governance in the public sector, while 9%of them responded that they were not aware of audit opinion and the contribution of external auditor to strengthen corporate governance.

4.4 Major areas of audit findings

The identification of major areas of audit findings is one of the objectives of the researcher. This is because it helps to identify which audit findings were not addressed by auditee and to trace what are the challenges for the implementation of audit recommendation.

Table 4.5 Response of respondent's on the Major areas of audit findings

Major areas of audit findings	**Frequency**	**%**
Procurement	15	13
Internal revenue	0	0
Receivables	12	10
Construction	9	8
All of the above	79	69
Other(specify if more than one and less than four of the above elements simultaneously)	-	-
Total	**115**	**100**

According to the findings shown in table 4.5 above, 13, 10, and 8 percent of the respondents indicate that procurements, Receivables, and constructions were the only key areas of the audit findings respectively. Similarly, 69 percent of the respondents stated that all of the above findings were the key area of the audit findings at the same time. Therefore, due attention should be given on these areas to reduce audit findings. Due to this reason, unless public sectors comply with the government rules and directives properly inefficiencies and waste of resources hinder achieving of government set objectives.

4.5 The Implementation of audit recommendations

The implementation of audit recommendations is the last point of the audit process that realizes the attainment of audit objectives and the full benefit of the audit. Sometimes due to various factors the audit recommendations may not be implemented.

Action plan for the implementation of audit recommendations and having an audit committee to assist, encourage, enforce and oversight the audit findings and recommendations in order to implement the audit recommendations plays a vital role for the implementation of audit recommendations. The assessments of implementation of audit recommendations were presented in table 4.6 below.

Table 4.6 Response of respondent's on the implementation of audit recommendations

Items	Yes		No	
	Frequency	%	Frequency	%
Your organization has an audit committee?	61	53	54	47
Is that audit recommendations were given for the major/material/ audit findings?	105	91	10	9
Your organization has action plan for all audit findings in order to implement the audit recommendations?	61	53	54	47
Does your organization implement the audit recommendations as per the action plan?	64	56	51	44
Does your organization implements the audit recommendations without the action plan?	72	63	43	37

From Table 4.6 above, majority of the respondents (91%) agreed that audit recommendations were given for the major/material/ audit findings in order to implement it. Whereas 9% of the respondents argue that audit recommendations were not given for the major/material/ audit findings. 53% of the respondents identify that Bureaus has an audit committee and action plan for all audit findings in order to help and implement the audit recommendations and the remaining 47% of the respondents identify as the Bureaus has not an audit committee and action plan for all audit findings in order to help and implement the audit recommendations.

Similarly, 56% of the respondents confirm that Bureaus has implement the audit recommendations as per their action plan, while the remaining 44 % of the respondents agreed that Bureaus has not implement the audit recommendations as per their action plan. On the other hand, 63% of the respondents confirm that Bureaus has implement the audit recommendations without the action plan, and the remaining 37% of the respondents agreed that Bureaus has not implement the audit recommendations without action plan.

4.6 Extent /level/ of the implementation of audit recommendations

Table 4.7 Response of respondent's on the extent of the implementation of audit recommendations

Level of the implementation of audit recommendations	Frequency	%
All audit recommendations	15	13
More than half but not all audit recommendations	40	35
Half of the audit recommendations	38	33
Less than half of the audit recommendations	22	19
Total	**115**	**100**

According to the findings shown in table 4.7 above, 13, 35, 33 and 19 percent of the respondents indicate that all audit recommendations, more than half but not all audit recommendations, half of the audit recommendations and less than half of the audit recommendations were implemented respectively. This shows that there is a gap regarding full implementation of audit recommendations in Bureaus.

Since there is the gap between audit recommendations and its implementation, identifying the challenges or reasons of not addressed audit recommendations is the critical issue. Thus, the next study of the researcher is about these issues.

4.7 The challenges of Implementation of audit recommendations

The recommendations in audit reports highlight actions that are expected to improve entity's performance when implemented and it address risks to the successful delivery of outcomes. However, implementation of audit recommendation is the most challenging one. The results and analysis of the challenges of Implementation of audit recommendations in the Oromia regional state five basic service providing sectors Regional Bureaus were presented as follows.

4.7.1 Challenges of Audit recommendation itself

Sometimes the audit recommendation itself may be a challenge to implement the audit recommendations. The results of Oromia regional state five basic service providing sectors Regional Bureaus were presented in table 4.8 below.

Table 4.8 Response of respondent's on the Challenges of Audit recommendation itself

	Challenging Factors	**Percent**					Mean
		Strongly Agree	Agree	neutral	Disagree	Strongly Disagree	
1.	Audit recommendations are not properly addressed to those who implement it.	22	38	16	24	0	3.58
2.	Audit recommendations are not clear, vague, and not understandable, to implement	4	30	6	25	35	2.45
3.	Audit recommendations are not objective, that is, have no sufficient and appropriate audit evidence, to implement	7	12	12	51	18	2.39
4.	Audit recommendations did not point/show/ improvements	6	0	1	35	58	1.61
5.	Audit recommendations are not economical to implement	6	15	15	40	24	2.39

The point of central tendency: 2.48

As indicated in the above table 4.8, the majority (38%) of the respondents are agree and 22% of the respondents are strongly agree that the audit recommendations are not properly addressed to those who implement it. However, 16%, 24 % and none of the respondents indicates as neutral, disagree and strongly disagree about the audit recommendations are not properly addressed to those who implement it respectively. This shows that more than 50% of the respondents with the mean of 3.58 think that the audit recommendations are not properly addressed to those who implement it.

The above table 4.8 also shows that 4%, 30%, 6%, 25% and 35% of the respondents were strongly agree, agree, neutral, disagree and strongly disagree that audit recommendations are not clear, vague, and not understandable to implement audit recommendations respectively. This implies that more than half (50%) of the respondents with the mean of 2.45 believe that Audit recommendations were clear, not vague, and understandable, to implement it.

Audit recommendations should be objective, that is, have to have sufficient and appropriate audit evidence to implement it. As the result of these study shows in the table 4.8 above, most of the respondents (69%) agree that audit recommendations are objective and supported by sufficient and appropriate audit evidence to implement it. In contrast to these, 19% of the respondents did not agree with the objectivity of audit recommendations to implement it. The remaining 12% of the respondents are neutral. Thus, it can be inferred that, the objectivity of audit recommendations with the mean of 2.39 are not a challenging factor to implement it.

Audit recommendations point/show/ improvements, unless it may be a challenge of implementation of audit recommendations. The above table 4.8 shows that whether audit recommendations given by Office of Oromia Auditor General are constructive or not. The result indicates that majority (93%) of the respondents were agreed as the audit recommendations contributes to the improvements of the operations of Oromia regional state five basic service providing sectors Regional Bureaus. But, 6% of the respondents believe that audit recommendations are not indicate improvements and the remaining 1% of the respondents is neutral. This shows that majority (93%) of the respondents with the mean of 1.61 think that the audit recommendations contributes to the improvements of the operations of Oromia regional state five basic service providing sectors Regional Bureaus.

If audit recommendations are not economical to implement, it is not necessary to implement audit recommendation. This is because it is not cost effective. The result of this cost effectiveness of audit recommendations is stated in the above table 4.8 as follows: Majority (64%) of the respondents was agreed that audit recommendations are cost effective in Oromia regional state five basic service providing sectors Regional Bureaus. However, 21% of the respondents state that audit recommendations were not economical to implement and the remaining 15% of the respondents were neutral. Hence, we can say that, cost effectiveness of implementation of audit recommendations with the mean of 2.39 are not a challenging factor. In short, the average means

(2.48) also indicate that audit recommendation itself is not a challenging factor for the implementation of audit recommendations.

4.7.2 Challenges of competency

The knowledge and skill to implement the audit recommendations are also one of the critical challenging factors. The challenge of this factor was analyzed and presented in the table 4.9 below.

Table 4.9 Response of respondent's on the Challenges of competency

	Challenging Factors	**Percent**					Mean
		Strongly Agree	Agree	neutral	Disagree	Strongly Disagree	
1.	Lack of education and experience of employee's to implement	15	53	9	18	5	3.55
2.	Lack of adequate training of employee's to implement	18	56	6	14	6	3.66
3.	Employee's turnover those who have knowledge of audit recommendations to implement	14	56	6	18	6	3.54

The point of central tendency: 3.57

From table 4.9 above, majority of the respondents (68%) agreed that lack of education and experience of employee's are challenging factors for the implementation of audit recommendations. But, only 23%of the respondents indicate that education and experience of employee's are not challenging factors for the implementation of audit recommendations and the remaining 9% of the respondents are neutral. The mean of this challenging factor is 3.55. Thus, it can be concluded that, education and experience of employee's are challenging factors for the implementation of audit recommendations.

In addition, Most of the respondents (74%) identify that inadequate training of employee's who implement audit recommendations are problem for the implementation of audit recommendations. Whereas, 20%of the respondents believe that training of employees never hinder the implementation of audit recommendations and the remaining 6% of the respondents are neutral.

The mean of this challenging factor is 3.66. This shows that, inadequate training of employee's is the challenging factors for the implementation of audit recommendations.

Employees who have knowledge of audit recommendations play a vital role for the implementation of audit recommendations. Hence, employee’s turnover those who have knowledge of audit recommendations may be the challenging factor for the implementation of audit recommendations. As it revealed in table 4.9 above, most of the respondents (70%) mention as turnover of knowledgeable employees is the challenging factor for the implementation of audit recommendations in Oromia regional state five basic services providing sectors Regional Bureaus. While, 24% of the respondents think that it is not the challenging factor for the implementation of audit recommendations and only the remaining 6% of the respondents are neutral. The mean of this challenging factor is 3.54. These implies that, turnover of knowledgeable employees are the challenging factor for the implementation of audit recommendations in Oromia regional state five basic service providing sectors Regional Bureaus. In addition, the average means (3.57) also indicate that competency is a challenging factor for the implementation of audit recommendations.

4.7.3 Challenges of top management support

Sawyer (1995) stated that management’s commitment to use audit recommendations and its support in strengthening internal audit is vital to audit effectiveness. GAO (2012) stated as audit findings and recommendations would not serve much purpose unless management is committed to implement them. The findings of this research relating to Challenges of top management support were stated in table 4.10 below.

Table 4.10 Response of respondent's on the Challenges of top management support

	Challenging Factors	Percent					Mean
		Strongly Agree	Agree	neutral	Disagree	Strongly Disagree	
1.	Management(employee's) may have conflicts of interest with audit recommendations to implement	18	32	18	18	14	3.22
2.	Lack of commitment and support from top management to implement audit recommendations	20	56	6	12	6	3.72
3.	Less attention given to audit recommendations by top management to implement it	35	38	9	15	3	3.87
4.	Shortage of time by top management to implement audit recommendations.	22	20	18	40	0	3.24
5.	Lack of knowledge from top management to implement audit recommendations	22	21	27	30	0	3.35
6.	Resistance to changes and improvements of audit recommendations from top management to implement it.	12	54	18	12	4	3.58

The point of central tendency: 3.50

Management (employees) may fail to implement audit recommendations due to conflict of interest. The above table 4.10 shows that, half (50%) of the respondents agreed with the existence of conflict of interest with management (employees) of Oromia regional state five basic service providing sectors Regional Bureaus to implement audit recommendations. Although, 32% of the respondents consider these as not the challenging factor for the implementation of audit recommendations and only the remaining 18% of the respondents are neutral. The mean of this challenging factor is 3.22. These implies that, Management(employee's) conflicts of interest are the challenging factor for the implementation of audit recommendations in Oromia regional state five basic service providing sectors Regional Bureaus.

It is not only conflict of interest but also commitment and support from top management may be a challenge to implement audit recommendations. As it indicated in the table 4.10 above, majority (76%) of the respondents agreed the existence of lack of commitment and support from top management to implement audit recommendations. But, only 32% of the respondents never agree with the existence of this challenging factor in Oromia regional state five basic service providing sectors Regional Bureaus to implement audit recommendations. The left over 18% of the respondents were reserved to give their view. The mean of this challenging factor is 3.72. This shows that, lack of commitment and support from top managements are the challenging factors for the implementation of audit recommendations.

Audit recommendations require attention of top management to implement it and to generate the full benefit of auditing. 73% of the respondents believe that top management gives less attention to audit recommendations to implement it. Whereas, 18% of the respondents agree that top managements give attention to audit recommendations to implement it. The remaining 9% of the respondents were neutral. The mean of this challenging factor is 3.87. Thus it can be concluded that, less attention given by top managements to audit recommendations are challenging factors for the implementation of audit recommendations.

Managements (employees) may have shortage of time to implement audit recommendations. 40% of the respondents were not agreeing with these as the challenging factor that hinder top managements to implement audit recommendations. While, 42% of the respondents confirm that there is a shortage of time for top management to implement audit recommendations. The remaining 18% of the respondents were neutral. The mean of this challenging factor is 3.24. Hence, we can say that, time constraints are a challenging factor that hinder top managements to implement audit recommendations.

Top management knowledge about audit recommendations to implement it is a very important thing that the management pays attention. As the result of Oromia regional state five basic service providing sectors Regional Bureaus shows, 30% of the respondents are not agree to the Shortage of knowledge of top management to implement audit recommendations. On the other hand, 63% of the respondents feel that the implementation of audit recommendations was challenged by the Shortage of knowledge of top management. But, 27% of the respondents were reserved to give their opinion. The mean of this challenging factor is 3.35. Then, it is possible to decide that lack of knowledge of top management to implement audit recommendations are the challenging factor that hinder top managements to implement audit recommendations.

Due to various factors top management may resist to changes and improvements resulted from implementing audit recommendations. Accordingly, majority (66%) of the respondent suggest that there is the resistance of top management to changes and improvements resulted from audit recommendations by implementing it. Whereas, 16% of the respondents were disagree with these idea and only the remaining 18% of the respondents are not taking sides. The mean of this challenging factor is 3.58. This implies that, resist to changes and improvements are challenging factor that hinder top managements to implement audit recommendations. In short, the average means (3.50) also indicate that top management support is a challenging factor for the implementation of audit recommendations.

4.7.4 Challenges of Monitoring

Chowd (2005) suggested that effective monitoring and controlling is needed for the implementation of the audit follow-up recommendations. Failure to do these may be a challenge for the implementation of the audit recommendations. The research results of this challenge were presented in the table 4.11 below.

Table 4.11 Response of respondent's on the Challenges of Monitoring

	Challenging Factors	**Percent**					Mean
		Strongly Agree	Agree	neutral	Disagree	Strongly Disagree	
1.	Inadequate of monitoring whether audit recommendations are Implemented or not	32	41	18	9	0	3.96
2.	The Management does not use the audit recommendations for monitoring and not built into the normal operating activities	13	54	10	21	2	3.55
3.	Inadequate actions taken based on not implemented audit recommendations.	11	46	23	17	3	3.45

The point of central tendency: 3.65

As indicated in Table 4.11 above, majority (73%) of the respondents believed that inadequate monitoring to identify whether audit recommendations are implemented or not. But, only 9% of the respondents were not agreed with the inadequacy of monitoring the audit recommendations and 18% of the respondents are neutral to suggest it. The mean of this challenging factor is 3.96. Thus, it can be inferred that, monitoring are inadequate and it is the challenging factor to implement audit recommendations.

The effective and efficient management use the audit recommendations as a tool of monitoring and built into the normal operating activities. But, sometimes management may fail to do so. The researcher identifies the case of Oromia regional state five basic service providing sectors Regional Bureaus. Thus, 67% of the respondents indicate that the management does not use the audit recommendations for monitoring and not built into the normal operating activities. However, only 23% of the respondents deny these and the left 10% of them keep silent. The mean of this challenging factor is 3.55. These shows that, audit recommendations are not a tool of monitoring for management and not built into the normal operating activities and then it is the challenging factor to implement audit recommendations.

Not implemented audit recommendations require adequate actions even penalty as per rules and regulations. The analysis of the research shows that more than half (57%) of the respondents consider the actions taken based on not addressed audit recommendations were inadequate. In contrast to this, a few respondents (20%) reject it. Despite the fact, 23% of them take a side neither of the two. The mean of this challenging factor is 3.45. Thus it can be concluded that, actions taken based on not addressed audit recommendations were inadequate and it is a challenging factors for the implementation of audit recommendations. In addition, the average means (3.65) also indicate that monitoring is a challenging factor for the implementation of audit recommendations.

4.7.5 Challenges of Follow-up

The advantages of auditing can only be realized when findings and recommendations have been followed up (Marsidi 2002; Thai 1992). Without any follow up from Parliament, the Executive, or investigators, audit reports are useless and public accountability cannot be enforced. The challenge of the audit follow-up of Oromia regional state five basic service providing sectors Regional Bureaus were analyzed in the table 4.12 below.

Table 4.12 Response of respondent's on the Challenges of Follow-up

	Challenging Factors	**Percent**					Mean
		Strongly Agree	Agree	neutral	Disagree	Strongly Disagree	
1.	Lack of top management follow up to implement audit recommendations	20	65	3	12	0	3.93
2.	Managements are not communicating the actions taken on audit recommendations on time as specified and suggested by the auditor, 30 days after the issuance of audit report.	27	47	14	9	3	3.86
3.	The houses of people's representatives, the regional chaffee, the people's go-between did not performed follow up on the implementation of audit recommendations as expected	10	33	36	21	0	3.32
4.	The regional Auditor did not perform follow up on the implementation of audit recommendations	9	38	29	24	0	3.32

The point of central tendency: 3.61

Last but not the least of the challenging factor is the follow up issue. As it shown in the table 4.12 above, most (85%) of the respondents point out that the lack of top management follow up to address audit recommendations was high. On the other hand, only 12% of them resist these. Almost none of them (3%) were neutral. The mean of this challenging factor is 3.93. Hence, we can say that, follow up to address audit recommendations by top management are insufficient.

It is expected from the managements to communicate the actions taken on audit recommendations on time as specified and suggested by the auditor, usually 30 days after the issuance of audit report. The outcome of this research relating to these were stated in the table 4.12 above, that large number (74%) of the respondents mention that managements were not communicate the actions taken on audit recommendations on time as specified and suggested by the auditor. Although, few (12%) of the respondents agreed that they communicate on time and the remaining 14% of them did not suggest it. The mean of this challenging factor is 3.86. This shows that, managements were not communicating the actions taken on audit recommendations on time as specified and suggested by the auditor and then it is the challenging factor to implement audit recommendations.

It is the responsibility of houses of people's representatives, the regional chaffee, and the people's go-between to perform follow up on the implementation of audit recommendations. This is analyzed and presented in the table 4.12 above, 43% of the respondents confirmed that the houses of people's representatives did not performed follow up on the implementation of audit recommendations as expected. While, 21% of them disprove it and the remaining 36% did not give their views. The mean of this challenging factor is 3.32. This implies that, the houses of people's representatives did not performed follow up on the implementation of audit recommendations as expected and this is the challenging factor to implement audit recommendations.

Another entity that is responsible to conduct follow up on the implementation of audit recommendations are the regional Auditor General. These assessments were presented in the table 4.12 above, 47% of the respondents agreed that the regional Auditor General did not fulfill this responsibility. Whereas, 24% of them disprove it and the remaining 29% did not give their views. The mean of this challenging factor is 3.32. Thus it can be concluded that, the follow up on the implementation of audit recommendations by the regional Auditor General is poor and these are challenging factors for the implementation of audit recommendations. In addition, the average means (3.61) also indicate that follow up is a challenging factor for the implementation of audit recommendations.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 **Introduction**

The aim of this chapter is to give a general summary about the whole study and make broad conclusions drawn from the findings of the results. Finally, based on the findings the researcher put some recommendations under this chapter.

5.2 Conclusions

The following are the main points drawn from the study of the major areas of audit findings, most areas of not addressed audit findings and the challenges for the implementation of audit recommendation.

The key area of the audit findings are found in Procurements, Internal revenues, receivables and Constructions. Audit recommendations are not fully implemented in the Oromia regional state five basic service providing sectors Regional Bureaus.

In fact audit recommendations were given for the major/material/ audit findings in order to implement it. But, not all Bureaus has an audit committee and action plan for all audit findings in order to assist the implementation of the audit recommendations, and even those who have an action plan are not implementing the audit recommendations as per their action plan. On the other hand, most (63%) Bureaus have implemented the audit recommendations without the action plan.

Most of the audit recommendations are objective and supported by sufficient and appropriate audit evidence, and it is cost effective to implement it.   In addition, audit recommendations were clear, not vague, and understandable to implement it. Audit recommendations were also contribute to the improvements of the operations of Oromia regional state five basic service providing sectors Regional Bureaus. But, Most of Audit recommendations are not properly addressed to those who implement it.

Education, experience, turnover and inadequate training of employee’s who implement audit recommendations are not permissible for the implementation of audit recommendations. Hence, all the three factors under Challenges of competency are really challenging actors for the implementation of audit recommendations.

There is a conflict of interest with managements (employees) of Oromia regional state five basic service providing sectors Regional Bureaus to implement audit recommendations. Commitment and support from top managements are inadequate and it is the challenging factors for the implementation of audit recommendations. Top managements give less attention to audit recommendations to implement it are also challenging factors. Top managements have the scarcity of time to implement audit recommendations. Lacks of knowledge of top management to implement audit recommendations also hamper top management to implement audit recommendations. There is a resistance to changes and improvements from the top managements to implement audit recommendations.

Monitoring to identify whether audit recommendations are implemented or not are inadequate and it is not a tool of monitoring for management and not built into the normal operating activities and actions taken based on not addressed audit recommendations are not satisfactory in the Oromia regional state five basic service providing sectors Regional Bureaus and it is the challenging factor to implement audit recommendations.

Follow up to address audit recommendations by top management of the entity, houses of people's representatives and the regional Auditor General are insufficient and it is not as expected and then it is the challenging factor to implement audit recommendations.

Managements were not communicating the actions taken on audit recommendations on time as specified and suggested by the auditor and then it is the challenging factor to implement audit recommendations.

In general, inadequacy of competency, lack of top managements support, monitoring and follow up are the challenging factors for the implementation of audit recommendations in Oromia regional state five basic service providing sectors Regional Bureaus

5.3 Recommendations

Auditing is a cornerstone of good public sector governance and also helps to create the conditions and to reinforce the expectation that public sector entities and public servants will perform their functions effectively, efficiently, ethically and in accordance with laws and regulations. Accordingly, the researcher also recommends the following.

The key area of the audit findings are found in Procurements, Internal revenues, receivables and Constructions. Thus, Due attention should be given on these major areas of audit findings to reduce it. Unless public sectors comply with the government rules and directives properly, inefficiencies and waste of resources hinder achieving of government set objectives. Since audit recommendations contribute to the achievement of organizational objectives, it should be implemented fully in the Oromia regional state five basic service providing sectors Regional Bureaus.

All Bureaus should have an audit committee to oversight and review the audit recommendations to identify and enforce the implementation of the audit recommendations. All Bureaus should also have to have an action plan for all audit findings in order to implement the audit recommendations, and should implement the audit recommendations as per their action plan.

Audit recommendations should be properly addressed to those who implement it. Employee's related factors that hinder the implementation of audit recommendation should be considered. Accordingly, experienced employees should be retained by reviewing the organizational structure and remuneration scale of the employees'. In addition to this, it is believed that adequate training, education and capacity building programs are important in motivating employee's to perform their duties in effective and efficient manner and contribute to implementation of audit recommendations. Therefore, in order to achieve organization goal managements should take remedial actions promptly.

Top management support is also another factor that affects implementation of audit recommendations. Various researchers claimed that lack of commitment and supports by top management lose the benefit of auditing. Likewise, Oromia regional state five basic service providing sectors Regional Bureau's managements should have no conflict of interest to implement audit recommendations. The managements also should have Commitment and supportive and pay attention and have sufficient time to implement audit recommendations. In addition, top managements should strive to gain knowledge about auditing and its recommendations to assist implementation of audit recommendations and they should not resist changes and improvements resulted from implementation of audit recommendations.

The members of the houses of people's representatives' particularly public accounts committee (PAC) and any other concerned party should monitor audit recommendations in the Oromia regional state five basic service providing sectors Regional Bureaus in order to enforce its implementation.

Audit recommendations should be a tool of monitoring for management, built into the normal operating activities and actions should be taken on not addressed audit recommendations. Moreover, adequate actions should be taken based on not addressed audit recommendations.

Septiana Dwiputrianti (2011) stated that: Audit reports become largely worthless without any follow-up from Members of Parliament, auditees and authorized investigators. Therefore, conducting action oriented and timely follow up by legislation and executives to rectify audit findings will reduce the main factor of implementation of audit recommendations. Thus, Managements of Oromia regional state five basic service providing sectors Regional Bureaus should conduct sufficient follow up and communicating the actions taken on audit recommendations on time as specified and suggested by the auditor. In addition, the houses of people's representatives and regional Auditor General should also perform follow up on the implementation of audit recommendations as expected.

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Addis Ababa University

College of Business and Economic

Department of Accounting and Finance

Part one: Information about the Respondent:

1. Educational level

a. Certificate b. Diploma c. Degree and d. above Degree

2. Field of Qualification

a. Accounting b. Management c. Others

3. Work experience

a. Less than 5 year's b. between 5-10 years c. above10 years

Part two: General Questionnaires regarding auditing

4. Do you have an idea of what the role an external auditor expected to play to strengthen corporate governance in the public sector?

a/ Yes b/ No

5. Do you have any knowledge of audit opinion?

a/ Yes b/ No

Part three: Questionnaires about major areas of audit findings

6. What is the major/material/ areas of audit findings occurred in your organization?

a. Procurement b. internal revenue c. receivables

d. Construction e. all f. Other, specify _______________

7. What is the causes of these, the above number 6, audit findings in your organization? (Fraud or an error)

____

____

Part four: Questionnaires about the Implementation of audit recommendations

8. Does your organization have an audit committee to assist, encourage, enforce and oversight the audit findings and recommendations in order to implement the audit recommendations?

a/ Yes b/ No

9. Is that audit recommendations were given for the major/material/ audit findings under question number 6 above occurred in your organization?

a/ Yes b/ No

10. Does your organization prepare action plan for all audit findings timely in order to implement the audit recommendations?

a/ Yes b/ No

11. If question number 10 is yes does your organization implement the audit recommendations as per the action plan?

a/ Yes b/ No

12. If question number 10 is no does your organization implements the audit recommendations without the action plan?

a/ Yes b/ No

13. If your organization implements the audit recommendations with or without the action plan, can you determine the level of the implements of audit recommendations?

a/ all audit recommendations b/ large but not all audit recommendations c. half of the audit recommendations d. the small amount of the audit recommendations

Part five: Questionnaires about the challenges of Implementation of audit recommendations

Challenges of Audit recommendation it self

14. Audit recommendations are not properly addressed to those who implement it.

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

15. Audit recommendations are not clear, vague, and not understandable, to implement

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

16. Audit recommendations are not objective, that is, have no sufficient and appropriate audit evidence, to implement

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

17. Audit recommendations did not point/show/ improvements

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

18. Audit recommendations are not economical to implement

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

Challenges of competency

19. Lack of education and experience of employee's to implement

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

20. Lack of adequate training of employee's to implement

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

21. Employee’s turnover those who have knowledge of audit recommendations to implement

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

Challenges of top management support

22. Employee’s may have conflicts of interest with audit recommendations to implement

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

23. Lack of commitment and support from top management to implement audit recommendations

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

24. Less attention given to audit recommendations by top management to implement it

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

25. Shortage of time by top management to implement audit recommendations.

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

26. Lack of knowledge from top management to implement audit recommendations

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

27. Resistance to changes and improvements of audit recommendations from top management to implement it.

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

Challenges of Monitoring

28. Inadequate of monitoring whether audit recommendations are
Implemented or not

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

29. Monitoring is not regular

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

30. The Management does not use the audit recommendations for monitoring and not built into the normal operating activities

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

31. Inadequate actions taken based on not implemented audit recommendations.

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

Challenges of Follow-up

32. Lack of top management follow up to implement audit recommendations

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

33. Managements are not communicating the actions taken on audit recommendations on time as specified and suggested by the auditor, 30 days after the issuance of audit report.

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

35. The houses of people's representatives, the regional chaffee, the people's go-between did not performed follow up on the implementation of audit recommendations

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree

36. The regional Auditor General not performed follow up on the implementation of audit recommendations

a/ Strongly Agree b/ Agree c. Neutral d. Disagree e/ Strongly Disagree