Determinants of Audit quality in The Private Audit Firm's in Addis Ababa

A Thesis Submitted to the Department of Accounting and Finance
College of Business and Economics in Partial Fulfillment for the
Requirements for the Degree of Master of Science in Accounting and Finance.

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Addis Ababa

DECLARATION

I understand and declare that this study paper is my original work. I have carried out this research work independently with the guidance and support of the research advisor. And has not been submitted for a degree in any other university, and that I have duly acknowledged all sources of material used for the project.

Declared by: Name: Ephrem Assefa

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Place and date of submission: Addis Ababa, October 24, 2021

CERTIFICATE

This is to certify that the project paper prepared by Ephrem Assefa, entitled "Quality Audit Service determinant factors in Private Audit Firm's in Addis Ababa" and submitted in Partial Fulfillment of the Requirements for the Degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards regarding originality and quality.

Internal examiner: Dr. _____ Signature _____Date _____

External examiner: Dr. _____ Signature _____ Date _____

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First and for most, I would like to thank almightily of GOD who let me finish my work,

Thank you, Lord.

I would like to express my special appreciation and thanks to my advisor, Dr. Takele Fufa, for allowing me to have such wonderful advice on the preparation of the proposal and this research paper, which have been invaluable, thanks to you.

A special thanks to my family your prayer for me was what sustained me this far. I would also like to thank friends for all your support.

ABSTRACT

The objective of this thesis is to investigate and discuss the relationships between Professional qualification, audit experience, industry expertise, and auditor size. The research viewed empirical studies to assess what researchers have done about audit quality issues and identified gaps in the literature where further research is needed, on other determinant factors affecting the audit quality service. The location of this research is one hundred thirty-one private audit firms in Addis Ababa. The primary data was collected by distributing closed-ended questionnaires to one hundred fifty audit staff across fifty-three audit firms. For each of these firms, three survey instruments have been distributed to audit staffs that are in the position of senior, manager, and principal, or partner level. Partial Least Square regression analysis method used to describe and examine the significant relationship between the determinant variables with audit quality. Through the multiple regressions analyses revealed that auditor size, qualification, and industry expertise respectively positive perception and have significant influence however audit experience insignificant contribution on audit quality. So, the researcher believe that this thesis has contributed to auditors to always keep an alert to improve audit quality by continuous professional development as well audit firms to encourage and support staff to develop their professional development and Accounting and Audit Board of Ethiopia to reviewing and support privately owned firms

KEYWORDS: Audit quality, Audit Firms, Qualification, Experience, Industry expertise, and Auditor Size.

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LIST OF ACRONYMS

AABE	Accounting and Auditing Board of Ethiopia
ACCA	Association of Chartered Certified Accountants
AICPA	American Institute of Certified Public Accountants
CPA	Certified Public Accountants
FASB	Financial Accounting Standards Board
FRC	Financial Reporting Council
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
OFAG	Office of the Federal Auditor General
OLS	Ordinary least square
SPSS	Statistical Package for Social Sciences
VIF	Variance inflection factors

CHAPTER ONE

1.1. Background of the study

A high-quality audit refers to the production of financial information without misstatements, omissions, or biases. DeAngelo, L. E. (1981) Defines audit quality by two-dimensional definition: which are first, detecting misstatements and errors in financial statements and second, reporting these material misstatements and errors. Auditing is the on-site verification activity, such as inspection or examination, of a process or quality system, to ensure compliance to requirements. ISA 220, Quality Control for an Audit of Financial Statements is specific to audit engagements and contains the following requirements in performing any audit. Which are leadership responsibilities for quality on audits, relevant ethical requirements, in particular independence, acceptance, and continuance of client relationships and audit engagements, assignment of engagement teams, engagement performance, meaning the direction, supervision, and review of an audit, including consultation and engagement quality control reviews, and Monitoring and documentation Wodaje, B., & Rahmeto, K. (2019).

The engagement audit team usually comprises the audit partner, senior manager/manager, audit senior, audit staff, and specialists such as tax professionals and the number of audit staff depends on the size and complexity of the audit assignment Kaplan, R. L. (1987). Team members pool their knowledge and expertise to enhance audit effectiveness Owhoso, V. E., Messier, Jr, W. F., & Lynch, Jr, J. G. (2002), and which is an opportunity for sharing the work by assigning audit sections to team members Vera-Mun˜ oz, S. C., Ho, J. L., & Chow, C. W. (2006). Firms are required to have procedures in place to assign both the most suitable partner with appropriate

experience and knowledge to perform an objective review of the more critical decisions and judgments made by the engagement team and the appropriateness of the financial statements and other professionals to an audit engagement based on their skill sets, relevant professional and industry experience, and the nature of the engagement. The size, complexity, and risk profile of the engagement, and the type of support and specialist input to be provided (i.e., the engagement team composition and specialist involvement). Industry expertise performs the audit engagement under professional standards, audit method, and applicable legal and regulatory requirements whether engaged by the firm. Specialists need to be assigned to an audit engagement in specialized areas such as information technology, tax, treasury, actuarial, forensic, and valuations purpose. Standard setters and quasi-regulatory bodies have long suggested that industry expertise results in higher quality audits American Institute of Certified Public Accountants. Auditing Standards Board. (1983). Audit firms' managements need to leverage their resources, by at least, forming teams based on audit staff knowledge, experiences, and expertise to achieve quality audits Gardner, H. K., Gino, F., & Staats, B. R. (2012).

Firms usually form teams based on staff availability, staff scheduling biases (decision-makers preference, and client preference. Staff availability (auditor size) contributes to firms filling the remaining hierarchical levels of the team contributing to experience industry expert knowledge and even adequate staff in the complexity and size of the audited client. the requirements for an audit are identified.

There are issues associated with facts due to staff may not be available and professional qualification, staff experience, and competence may be overlooked. Clients' preferences and clients have differing economic importance to audit firms' clients' audits may have staffing

priority Hackenbrack, K. E., & Hogan, C. E. (2005). An audit can apply to an entire organization or might be specific to a function, process, or production step.

So, audit team form based on staff availability or decision-makers preferences heightens the difficulty of comparable replacement in the event of staff attrition. This is an adverse implication on audit quality service. Knowledge and consideration of client needs are crucial Dereli, T., Baykasoğlu, A., & Daş, G. S. (2007). Since professionally qualified staff complies with continuous professional development and are up to date for new standards and rules, and regulations. Clients with complex and unstable environments may require audit teams with less rigid approaches clients with less complex, and stable environments Rudolph, H. R., & Welker, R. B. (1998). Considering the competence and capabilities of individual members of the engagement team, including whether they have sufficient time to carry out their work, whether they understand their instructions, and whether the work is being carried out by the planned approach to the audit engagement. Auditor size allows less experienced team members to raise questions with more experienced team members so that appropriate communication can occur within the engagement team and to clearly understand the objectives of the assigned work and proven qualification, experience incorporating the necessary specialists into assurance engagements to deliver seamless quality audit services.

1.2. Statement of the Problem

Audit quality has always been a key consideration for auditors in this volatile situation in the environment. Performing a high-quality audit means that audit risk is reduced, and the audit firm is less likely to issue an inappropriate audit opinion. However, audit firms face great pressures which may lead to them compromising audit quality.

Major scandals that happened worldwide on Enron, WorldCom, and Parmalat have brought public attention to the audit profession and audit quality at the same time a sign of failure

Ethiopia currently there is a significant increase in trade and investments undertakes massive privatization of major manufacturing and service provider enterprises like Ethio-Telecom, the rise in the Foreign Direct Investment (FDI) in petroleum refining, mineral extraction, real estate, manufacturing, and renewable energy, and establishing of more rapid share companies especially (banks and insurances). In Ethiopia currently, there are 18,000 companies including share companies, state-owned enterprises, private limited companies, and small and micro enterprises report to the Accounting and Audit Board of Ethiopia, which was formed by a 2014 parliamentary legislation as part of a financial proclamation.

Nowadays Ethiopia is on the way to starting a Stock market par capital market proclamation (No 1284/2021) which are being regulated by the National Bank of Ethiopia such as, shares of bank and insurance companies. Introducing a stock exchange is expected to allow shareholders of the

banks and insurances in Ethiopia to sell their stock any time and get their money or invest in other stocks, among others. Therefore, a listed company must meet the regulatory requirements of the Listing Authority. These regulatory requirements usually impose minimum size restrictions on a company like audited accounts must exist and other conditions.

There are only 500 professionally qualified accountants here in Ethiopia prior two years back, which is much less with the economy demanded African edition of Accounting and Business magazine(2017).

From these professionally qualified accountants currently, 156 of them established two types of private firm formation which are firms as a Partnership 20 and as Sole practitioners' firms 136 in number and run an audit and non-audit services. The major Sole practitioners 156 (87%) out of total audit firms run by individuals and expected and responsible to audit at the same time review the audit working paper. Firms nowadays require a second/concurring partner reviewer to review the working paper before issuing the audit report to be prudence on the opinion on the audited financial statement. Which is international good practice a partner, another person in the firm, suitably qualified external person, or team made up of such individuals, none of whom is part of the engagement team, with sufficient experience and authority to objectively evaluate the significant judgments that the engagement team made and the conclusions it reached in formulating the report.

A quality assurance program checks the auditors' work at both partner and firm levels and check and ensures that do auditors conduct their duties with utmost professional diligence. Such a review mechanism does not as require by ISA 230 Conducting the engagement quality control review promptly at stages during the engagement allows the date of the auditor's report to promptly

resolve significant matters to the engagement quality control reviewer's satisfaction. And not yet assigned firms as big, medium, and small or any level status to grant audit assignments according to their level of status. Here tender is the only competition criteria, and all private firms are equally competing to any audit assignment except Banks and Ethiopia Commodity exchange members. However, the National Bank of Ethiopia engages audit assignments for listed and select private audit firms based on their requirements, however the rest from small and medium enterprises up to share companies' appointments of auditors done through a bidding process.

There are much fewer professionals and expertise in the sector to conduct the audit assignment under the highly expected professional standard. Therefore, with the problems discussed above and along with the gap in the literature it needs to conduct extensive research on determinant factors of audit quality service in Ethiopian private audit firms in ensuring that the firms are capable, reliable, and creditable financial statements for their stakeholders. And this shows little appreciation for quality audit services provided in the private audit firms because of professional and experienced human capital on quality and quantity to carry on an assignment with a required given standard by ISA like assigning independent internal quality reviewer.

The aim of this research is to investigate effective solution to deliver quality of audit service to an audit client and produce appropriate audit opinion on an audited financial statement. Quantitative method used to gain in depth insight to identify the variables which has a significant factor in audit service quality through distributing questionnaire's to senior audit staff, and conduct experiments to find out cause and effect of the determinant factors on quality audit service.

1.3. Objective of the Study

The major aim of the study is to analyze the relationship between audit qualities with determinant factors and describe each determinant factors impact on audit quality, which are academic qualification relationship with the quality of audit, audit experience relationship with audit quality, industry expertise relationship with audit quality, and auditor size relationship with audit quality. Since they are a potential portfolio of quantitative measures that may provide new insights into how high-quality audits are achieved.

1.3.1. Specific Objective of the Study

The specific objectives of the study are to achieve the above general aim. This is to investigate and to find out the relationship (cause and effect) that exists between auditor qualification, experience, and industry expertise, and auditor size with audit service quality. So, specific objectives are outlined as follows.

1, to determine the existence of relationship between determinant variables and audit service quality.

2, to evaluate the cause or level of significance determinant variables on audit service quality.

3, to use the findings to make recommendations on the improvement quality audit service to auditor, audit firm and regulators.

1.4. Justification for this study

The study investigates audit quality focuses on the professional (human Domain) that applies to audit quality related to various attributes of people within the audit firms including individual's qualification, experience, expertise, and auditor's size. The competence of professional auditors is important in arriving at a righteous judgment. In this respect, means of proper audit planning, adequate audit performance, and sufficient supervision by the superior can signify good working practices. Analysis of the report highlights the importance of various contextual factors in providing quality audit service.

1.5. Significance of the Study.

This research paper contributes to audit literature to the local audit studies and analyzes the factors related with the audit firm and auditors in city-based, and, examining whether information on the sizes of auditors and compositions of staff in the private audit firms. The expected solution is to address the broad array of audit quality indicators is to not focus on a single indicator, but on several indicators so that the combination gives a multi-dimensional picture of audit quality.

The study will help the regulatory body to assess the existing audit firm capability and to use it as input for ongoing projects. Audit firm to attract and keep high caliber staff to improve their audit quality level and generate better income. The study will help Auditors to professionalize and to give credit on the field and for a client for the analysis and to rely on their audit service provide. And to audit clients to analyze and to rely on their audit service provider capability on providing quality audit service.

1.6. Hypothesis of the Study

Since high-quality audit service has importance to convince and relay on the audit report whether what factors that drive on it and the main hypotheses developed with a view to quality audit service in the private audit firms as follows.

H_1: Qualifications of auditors have a significant effect on the quality of audit service.

H_2: Auditors' experience has a positive and significant impact on audit quality.

H_3: An Industry expertise auditor in a firm has a significant effect on audit quality.

H_4: Auditor's number/size has a significant effect on quality audit service.

1.7. Delimitation of the Study.

This study was conducted for an academic contribution to a master's program in accounting and finance. I limited it to only specific and selected variables on quality of audit service in limited private audit firms only in Addis Ababa; the questionnaire distributed (in this case going to be conducted) only on those selected private audit firms. So, these points implicate the challenge of the ability to make broader generalizations from the results generated.

1.8. Limitation of the study.

This study paper has limitations, so readers must be cautious in generalizing. Since there is a lack of sufficient previous research studies and accessibility of sufficient current literature about audit quality in private audit firm Ethiopian. Second, Even the analysis and its derived conclusion are based on primary data and the data collection technique itself through the survey instrument and carry the risk of biased information generated by this instrument, and regarding the sample, the number might be limited since very difficult to get required respondents from the respondent. Third; this study only covers perceptions about audit quality from the point of view of external audit firms in Addis Ababa. And finally, we had some sample observations (92 seniors level audit staff) which may not represent all senior auditors in Addis Ababa. However, the concern of the study examines these factors to reach on and complete the paper. So, the researcher will exert the maximum efforts to gather the information in another way as to make the aim to be possible.

1.9. Structure of the study

The structure of the study paper is organized into five chapters. Chapter one deals with the introduction of the study. Literature review part discussed in chapter two. The review of the literature includes the theoretical review in its first section which is followed by the review of the previous studies related to the area and conclusion and knowledge gap finally. Research design and methods are discussed in chapter three. Then follow an analysis with results and discussion part by chapter four. Finally, chapter five presents the finding summary, conclusions and recommendations.

CHAPTER TWO

2. Literature Review

2.1. Theoretical review

This chapter elaborately discussed different theoretical explanations and overviews related to the determinant factors of external audit quality. The review of the relevant theoretical models explained the foundation of research constructs. It provided a brief analysis of factors influencing audit quality service in private audit firms.

2.1.1. Audit

Teck-Heang, L. E. E., & Ali, A. M. (2008) Audit refers to an examination of the financial reports of a firm by an independent entity. The separation of business ownership and management in modern society has created a need for accountability. Users of financial statements stakeholders (shareholders, creditors, public) trust auditors and audit reports and rely on them to faithfully represent the effects of a company's transactions. The role of audit to change as the needs of stakeholders change since the require report relevance according to their concern. Whereas the 'value relevance' refers to the auditors' ability and responsibility to provide reasonable assurance that financial statements are free of material misstatement, because of fraud or error; or both.

2.1.2. Audit theories

Audit theories provide a framework for auditing; uncover the laws that govern the audit process and the relationship between different parties of a firm, forming the basis of the role of audit. Many theories may explain the demand for audit services in modern societies.

The policeman theory asserts that the auditor searches discover and prevents any fraudulent activity. However, the role of auditors is to provide reasonable assurance and an independent, true, and fair view of the financial statements. Although, there has been more pressure on auditors to detect fraud after recent reporting scandals e.g., Enron. Perhaps in modern societies, the users of statements want auditors to be responsible for fraud detection as they use audit reports to analyze and decide Gupta, A. D. (2014).

The credibility theory suggests that adding credibility to financial statements is an integral part of auditing, making it fundamental service auditors provide to clients. Audited financial statements boost users' confidence in an organization's financial records and management's stewardship; improving their decision quality such as investment or new contracts, based on reliable information. This is because stakeholders need to have faith in the financial statements. The credibility gained by financial statements would affect decisions by stakeholders (e.g., Credit limits provided by suppliers) and also helps shareholders put trust in management, reducing the 'information asymmetry between stakeholders and management Gupta, A. D. (2014).

The theory of inspired confidence focuses on both the demand and supply of audit services. I realized the relationship of accountability with financial statements; however, as outside parties cannot monitor any material misstatement or bias in financial reports, the demand for

an independent reliable audit arises. The supply of audit services should satisfy the public confidence that arises from the audit and fulfill community expectations, as the general function of audit derived from the need for independent examination and an expert opinion based on findings; because of the confidence society places in an independent auditors' opinion. I can assume that if society lost confidence in audit opinion, the social usefulness of audit would cease as audit delivers benefits to the users of financial statements. The auditor should maintain business practices to maintain his independence from the firm being audited, to satisfy his obligation to examine business practices and provide a credible opinion on the financial statements Gupta, A. D. (2014).

The Agency Theory is the relationship where one person appoints another person, delegates him some authority to carry out the tasks on behalf of him. The appointed person is the "agent" and the person who appoints is the "Principal". Such delegation also means that the principal needs to place trust in an agent to act in the principal's best interests. In a company, the directors are the agents of the shareholders (principles) who entrust them to manage the running of the business. We often refer to this separation of ownership and management as the Agency Problem results from information asymmetries and self-interest; principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behavior. An audit provides an independent check on the work of agents and of the information provided by an agent, which helps to maintain confidence and trust. This is a simple agency model of audit, where an expert independent auditor is introduced, and a statutory audit is performed to help address a simple agency conflict between shareholders and directors Gupta, A. D. (2014).

2.1.3. Framework on audit quality

2.1.3.1. International Auditing and Assurance Standards Board

While auditing standards are the foundation of audit quality, other key areas where we can make a difference were identified by the International Auditing and Assurance Standards Board (IAASB) in its Framework for Audit Quality: The Framework describes the input-, process- and output factors that contribute to audit quality. Inputs are grouped into the following input factors: The values, ethics, and attitudes of auditors, which are influenced by the culture prevailing within the audit firm; and the knowledge, skills, and experience of auditors and the time allocated for them to perform the audit. Therefore, a high-quality audit is more likely to be carried out when auditors display values, ethics, and attitudes, are knowledgeable, skilled, and experienced, and have enough time to perform the audit. These criteria also apply to the firm and the quality of all its audits. Similarly, the values, ethics, and attitudes of individual auditors are influenced by the culture of their firm. The structure of audit firms has been part of the conversation on how audit quality should continue to develop. Competence–if auditors are not technically competent to perform audit work there is a clear impact on the quality of work performed. For example, the IAASB comments in its 2015–16 Work Plan that audit inspections have found instances where the person selected to perform engagement quality control reviews were not competent to do so. Given that engagement quality reviews are conducted for high-risk audit engagements using inexperienced auditors to perform such reviews can create a potentially serious hazard for the audit firm because it is much more likely that an inappropriate opinion could be issued. IAASB is clarifying that audit quality is something to be taken seriously. Higher quality audits and public confidence in audit reports issued should reduce the 'expectation gap'. However, with audit firms coming under pressure to cut fees, produce competitive tender documents and provide 'added

value to the audit as non-audit services, it is easy to see why audit quality is often compromised Elder, R. J., Janvrin, D. J., & Caster, P. (2014).

2.1.3.2. International Federation of Accountants

Audit plays a very important role in the economy and society. It increases user confidence in the credibility of financial reporting and facilitates the efficient allocation and use of capital. The benefits of an audit are also strongly felt in the public and not-for-profit sectors. ACCA believes that a holistic approach, involving coordinated action, is increasingly necessary to ensure that the corporate reporting supply chain delivers value globally. Users need to be provided with information that enables them to achieve a balanced and long-term understanding of the financial health of an entity Cameran, M., & Campa, D. (2016).

2.1.4. Theoretical Literature

The importance of quality audit is not questionable and needs more and more research to explore other areas related to staff (staff turnover) firms shall promote lower turnover/higher retention. Whether audit employee turnover leads to a reduction in audit quality remains an empirical question? International Standard on Quality Control 1 (ISQ1) Iaasb, Alharasis, E. E., Prokofieva, M., Alqatamin, R. M., & Clark, C. (2020). requires audit firms to have policies and procedures in place to ensure they have "sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to perform engagements by generally accepted auditing standards (GAAS) and enabling the firm or engagement partners to issue reports that are appropriate in the circumstances" Elder, R. J., Janvrin, D. J., & Caster, P. (2014).

2.1.5. Audit Quality Theory

Audit quality is subject to many direct and indirect influences and perceptions of audit quality vary amongst stakeholders depending on their level of direct involvement in audits and on the lens through which they assess audit quality. Quality audit is a process of examination and verification of procedures, records, and activities of a quality system that is carried out by an audit team or an internal or external quality auditor. According to ISO quality system standard (ISO 9001) Quality audit is considered an integral part of the quality management system and is considered as a critical component in the quality of audit.

Importantly, effectively executing on many of the requirements in the ISAs relies on a key personal competency qualification and − professional judgment. Achieving the goal of a high-quality audit very much depends on auditors exercising appropriate and sound professional judgment throughout the engagement. This calls for having the right people involved in the engagement who not only are properly trained but also continue to enhance their competence through ongoing professional development. The International Auditing and Assurance Standards Board (IAASB) Framework of the input, process- and output factors that contribute to audit quality at the engagement, audit firm, and national levels, for financial statement audits Elder, R. J., Janvrin, D. J., & Caster, P. (2014). The Inputs are grouped into values, ethics, and attitude of auditors and the knowledge, skills, and experience of auditors, and time allocation of the audit assignment. Therefore, technical quality and input factors are concerned with the professional domain of auditors and its impact on audit quality service. Audit quality has always been a key consideration for auditors to perform high-quality audits. Since a high-quality audit means that audit risk is reduced, and the audit firm is less likely to issue an inappropriate audit

opinion. Audit firms are faced with great pressures which may lead to them compromising audit quality. Pressures tight deadlines, audit fees, staff competence, ethical dilemmas, and the extent of judgment that is required when auditing certain balances and transactions. As mentioned in the introduction, it is in the best interests of audit firms to conduct a So, it may be surprising to find that when inspections are carried out on the conduct of audits, the regulatory bodies come across many instances where audit quality is lacking. ISA 220, Quality Control for an Audit of Financial Statements is specific to audit engagements and contains specific requirements that should be adhered to in performing any audit. Which are: Leadership responsibilities for quality on audits, relevant ethical requirements, in particular independence, Acceptance, and continuance of client relationships and audit engagements, Assignment of engagement teams. Engagement performance, meaning the direction, supervision, and review of an audit, including consultation and engagement quality control reviews Monitoring and documentation Compliance with the ISAs in the context of quality control systems at the firm level is an important element of audit quality. People who carry out the audit have their knowledge and experience and their understanding of the client business that can make a real difference in audit quality. Achieving the goal of a high-quality audit very much depends on auditors exercising appropriate and sound professional judgment throughout the engagement. The right people are involved in the engagement that not only are properly trained but also continue to enhance their competence through ongoing professional development.

2.1.6. Qualification

Qualification is owned by the auditor as the result of formal education, participation in training, symposium seminar, etc. And the educational level of auditors is used to derive audit quality. Auditor expected to hold academic certificate like with degrees (BACHELOR) with MASTER or Ph.D. degrees on the relevant profession and other professional qualification (like ACCA). Furthermore, qualified auditors are expected to have academic training in accounting, taxation, auditing, and other areas related to their profession besides academic qualification. Since in this volatile situation auditor's qualification and competence should keep abreast of the latest ideas and techniques in auditing and accounting. Teck-Heang, L. E. E., & Ali, A. M. (2008) state "the audit should be performed, and the report prepared with due professional care by persons who have adequate training, experience, and competence in auditing". According to Oyewo, B. (2021) "they should pass the CPA examination, they should stay abreast of current developments in accounting, auditing, and tax matters. According to Hussain, A., Aslam, H. M. S. I., Noor, U., Zafar, S., Saleem, A., & Hani, U. (2020) the success of any profession may depend on three main points as bellows: Advanced information, Continuing professional education; and Minimum levels of professional qualification.

2.1.7. Experience

Experience of the auditor is past work practice in the field of audit and able to deal with all aspects of the audit issues that might arise during audit assignment other than who has little or no experience. Experience can be obtained directly through experience, observation, or practice, or it can be obtained from indirect experience such as reading. Auditor experience will grow with the increasing of audit experience, discussion about audit with colleagues, oversight, review from the senior accountant.

General experience in the audit profession, he/she acquires more competency, which, improves audit quality and besides general audit experience, the auditor simultaneously accumulates client-specific experience, precisely detected, supervised, and reviewed and there is a reasonable level actively. Experience is one of the independent variables and assumes that repeated work in a long-time period will improve the quality of work. Mautz, & Sharaf, H. H. (1961) point out the qualities of a prudent auditor, stating that "a prudent practitioner is assumed to have a knowledge of the philosophy and practice of auditing, to have the degree of training, experience, and skill common to the average independent auditor". The study takes professional experience is as one of the key determinants that influence the efficiency of ninety-eight audit firm performance in professional duties.

2.1.8. Auditor Expertise

Industry expertise (industry specialist) leads to a higher level of technical competence and technical information and plays a big role in providing high-quality audits and they strategically organize their assurance practices along industry lines. Industry Experience According to (Meyer, 2009), industry specialist auditors have developed industry-specific knowledge that may enable them to provide higher audit quality than non-specialist auditors. Moroney, R., & Carey, P. (2011) research findings show that industry experience has a more significant impact on the quality of auditor judgment than task-based experience and performance gains through industry experience occur quickly and then level out. Moroney, R., & Carey, P. (2011) research findings show that industry experience has a more significant impact on the quality of auditor judgment than task-based experience and performance gains through industry experience occur quickly and then level out. Standard setters and quasi-regulatory bodies have long suggested that industry expertise results in higher quality audits American Institute of Certified Public Accountants. Auditing Standards Board. (1983). Expertise would have better knowledge on the sector-specific and able to find issues related more quickly and more accurate from those of little experience, and no doubt the professional experience depends on two important processes which are organizing the memory and decision-making, as they affect and are affected by each other Frederick, D. M., & Libby, R. (1986). On the one hand, more in-depth knowledge about the specific client's business operations, accounting systems, and risks potentially leads to higher audit quality Cohen, M. F. (1978).

Findings show that industry experience with audit knowledge can enhance the audit technical ability and audit reputation on audit quality.

2.1.9. Auditor size

Auditor size: the total number of auditors in each private audit firm and is more important to allocate existing human capital with an adequate time budget for audit assignment. The size of the auditor determines the quality of the audit assignment since the time allocated for the assignment is better and gets quality. As audit quality is unobservable, after DeAngelo (1981), researchers established several proxy variables for testing, including auditor size PaImrose, Z. (1988).

The auditing process is "primarily human endeavors and audit firms are very dependent upon the quality of their professionals, including competence and decision-making skills" Smith, E., Bedard, J. C., & Johnstone, K. M. (2009). Carcello, J.V. et al.,, (1992) states that characteristics related to the audit team were generally perceived to be more important to audit quality than characteristics related to the audit firm itself. The EFC model is well established in the industrial organization literature. Applied to the auditing industry, it offers an alternative view of the auditor-size, audit-quality relationship. So, in this paper look for the casual relationship auditor size with other variables is exogenous and make differences on audit quality.

2.2. Empirical studies

There are limited study papers on quality audit service determinants here in Ethiopia and even the papers abroad focused on a determinant factor or variables other than in this study paper. these research papers on the quality of audit service reviewed in this study are as follows. Eko Suyono, (September 2012) which is about audit quality determinants from the perspective of Indonesia. Examine the determinant factors that affect the audit quality either do independence, experience, and accountability affect audit quality simultaneously? or partially? Or which variable affects dominantly the quality of audit. The research uses a survey method approach, by distributing questionnaires to respondents. The respondents in this research are junior auditors from Public Accounting Firms (PAFs) in Central Java and Jogjakarta Provinces, Indonesia. There are 20 PAFs in Central Java and 8 PAFs in Jogjakarta with approximately 150 auditors. 150 questionnaires had distributed to all respondents around February until June 2011 and 65 questionnaires were returned. The data analyzed and explained using the descriptive method and confirms that (1), all the three variables affect audit quality simultaneously. (2), experience does not affect audit quality however, the rest two affect audit quality partially. And (3) This finding shows that accountability has the dominant effect on audit quality.

Rudyanto, A., Daniswari, D., & Oktaviani, Y. (2017) Audit Firm Reputation versus Auditor Capability which is also a study paper from Indonesia and concern of auditor capability means audit industry specialization and auditor tenure, and firm reputation. The study sample focused on manufacturing companies listed on the Indonesia Stock Exchange between 2013-2015. The secondary data obtained from www.idx.co.id. Manufacturing companies were used to prevent bias in calculating discretionary accruals as a proxy of audit quality and the manufacturing sector has a high vulnerability of fraud, due to the sector's competitive nature. Data were

analyzed using SPSS v.22 par the analysis financial statements audited by reputable auditing firms have less discretionary accrual than those audited by other auditing firms. the results demonstrate that auditor capability does not affect audit quality Duff, A. (2004). Auditor capability refers to the attributes (professional knowledge, professional skills, and professional values, ethics, and attitudes). Auditor capability-related variables depend on the author's different from the perspective of Duff and the author.

Kusumawati, A., & Syamsuddin, S. (2018) The thesis considered determinant variables in Auditor quality (ethics, commitment, independence, competence, and experience) and professional skepticism on audit quality. To investigate the relationship between auditor quality to professional skepticism. The relationship is assessed in two ways 1, directly skepticism and audit quality 2, indirectly auditor quality through skepticism to audit quality. Primary data from the respondent from the Audit Board of the Republic of Indonesia (BPK) in South Sulawesi province auditor by distributing the questionnaire. Results derived partial least square analysis. 1, Auditor quality has a significant direct effect on professional skepticism. 2, Professional skepticism has a significantly direct effect on audit quality. 3, Auditor quality has no direct effect on audit quality, but auditor quality has an indirect effect on audit quality with the mediation of professional skepticism.

Tensae. N., (2017) In the study paper, the researcher considers six independent variables which are independence, audit experience, accountability, audit fee, firm size, and regulation. The aim of study to determinant factors could be a significant influence on audit quality. The data from primary sources and the target population of the respondents are senior and above level auditors

in public firms. One hundred questionnaires distributed and statistical test analysis and explained the relationship between independent variables and dependent variables. The result disclosed that a significant positive relationship for independence, accountability, audit fee, regulation with audit quality service, however, audit firm size and audit fee has negatively correlated and does not have a significant contribution on audit quality service.

Hussein, F. E., & MohdHanefah, M. (2013) The study paper from Malaysia's perspective on the title The Overview of Surrogates to Measure Audit Quality. The variables are audit firm size, litigation, auditor tenure, provision of non-audit services, industry experience, and peer review on audit quality. Use an indirect approach in assessing audit quality since it is considered the best in measuring audit quality as surrogates or proxies for quality. The analysis shows that industry experience enhances the performance of external audit function and lead to better audit quality. Favorable opinions and opposition to the use of the indirect approach in measuring audit quality as surrogates or proxies for quality are discussed. Based on the foregoing discussion, there are discrepancies between the views of the researchers on the factors that may influence the improvement of audit quality. Generally, the use of the indirect approach in assessing audit quality can be considered as the best approach to measuring audit quality.

2.3. Summary and gap

Empirical evidence on this topic is very minimal research conducted in developing countries especially in Ethiopia. research papers abroad on the topic have considered variables different and the analysis method is completely different, primary data (respondents) profession, and approach (direct or indirect) are not similar. e.g., Suyono, E. (2012) uses independence, Experience, Accountability as variables and its problem formation has three approaches which are simultaneous, partially relationship, or dominant effect of these variables on audit All respondents are junior auditors who are working in a public audit firm and their source of data is derived from the central java Jogiakarta provinces of Indonesia.

Kusumawati, A., & Syamsuddin, S. (2018) This thesis considered determinant variables in Auditor quality and professional skepticism on audit quality. To investigate the relationships between auditor quality to professional skepticism with different assessment procedures. The relationship is assessed in two ways 1, directly skepticism and audit quality 2, indirectly auditor quality through skepticism to audit quality. Primary data from the respondent from the Audit Board of the Republic of Indonesia (BPK) in South Sulawesi province auditor by distributing the questionnaire. Results derived partial least square analysis. 3, Auditor quality has no direct effect on audit quality, but auditor quality has an indirect effect on audit quality with the mediation of professional skepticism. Auditor quality (ethics, commitment, independence, competence, and experience) if these variables are independently assessed might produce different results.

Rudyanto, A., Daniswari, D., & Oktaviani, Y. (2017) This thesis is analyzed whether the reputation or competence of an auditor affects audit quality. Auditor capability in terms of audit

industry specialization and auditor tenure, and firm reputation. The study sample focused on manufacturing companies listed on the Indonesia Stock Exchange between 2013-2015. The secondary data obtained from www.idx.co.id. Manufacturing companies. The outcome derived from partial least square analysis demonstrates that auditor capability does not affect audit quality. Audit quality in Indonesia is therefore not determined by firm reputation or auditor capability.

Tensae N., (2017) In this thesis the researcher considers six independent variables which are independence, audit experience, accountability, audit fee, firm size, and regulation. The data from primary sources from target population senior and above level auditors working in ninety-eight audit firms. Statistical test analysis and explained the relationship between each independent variables with audit quality. From the result stated the four variables (independence, audit experience, and accountability) have a positive and significant influence on audit quality.

Hussein, F. E., & MohdHanefah, M. (2013). Variables for audit quality are audit firm size, litigation, auditor tenure, provision of non-audit services, industry experience, and peer review on audit quality and consider the indirect approach in assessing audit quality best approach.

From the empirical theories from prior research papers study on this topic in Ethiopia even in a developing country is minimal. Authors consider one or more variables for their empirical research. The population of the respondent or source of data, working profession, and level of responsibility are also different. The author considers a single variable the aggregate of two or more variables. Like auditor, quality considers (ethics, commitment, independence, competence, and experience) and Auditor capability considers (audit industry specialization

and auditor tenure). Finally, the outcome of similar variables is different from the outcome of this study paper, and variable auditor size effect on audit quality is not observed in these prior research papers.

This study paper focuses on potential explanatory variables which are human domain professional qualification, audit experience, industry expertise, and auditor size. These all variables as a factor on providing quality audit service not done. And the descriptive analysis explained each variable effect on audit quality service. The Source of data is primary, and all respondents are senior-level audit professionals in private audit firms. This valuable response is hopefully crucial for filling the gap and contributing to this area for private audit firms and regulatory bodies. In need of further investigation there are different variables' impacts on quality audit service.

2.4. RESEARCH FRAMEWORK

Figure 1.1 depicts the research framework proposed this study, which is the relationship among independent variables (qualification, experience, expertise, and (auditor size) with dependent variables (audit quality)

Figure 1.1: Conceptual Framework of the Factors affecting Auditor Quality Aug 12, 2021 Developed by the Author

CHAPTER THREE

3. Research Methodology and Approach

3.1. Research Methodology

This Chapter presents the description of the research process, the method that was used in undertaking this research and its justification and describes the various stages of the research, which includes the selection of participants, the data collection process, and the process of data analysis.

3.1.1. Deductive and Inductive

Inductive reasoning moves from specific observations to broad generalizations, and consists of three stages: observation, observing patterns, and developing theory and. Utilizes inductive reasoning when they have no idea about research results, but to provide a proper explanation about the occurrence of a particular situation. Deductive reasoning the other way around with four stages start with an existing theory, formulate a hypothesis based on existing theory, collect data to test the hypothesis, analyze the results finally reach to conclusion Streefkerk, (2019).

Since the study is conducting a deductive research approach with four stages which are starting with an existing theory, formulating a hypothesis based on existing theory, collecting data to test the hypothesis, and analyzing the results whether the data reject or support the hypothesis?

3.2. Research Approach

3.2.1. Quantitative

The researcher used a quantitative research approach to quantify the problem by way of generating numerical data and by transforming it into usable statistics. So, the study paper uses a quantitative research approach by way of distributing structured questionnaires (paper surveys) to the selected respondent and collecting their opinion and transforming them into usable statistics to quantify the opinions of defined variables. It is used to quantify attitudes, opinions, or behaviors, and other defined variables – and generalize results from the sample population.

3.2.2. Ethical issues

The issue of confidentiality information collected from the respondents is closely connected with the rights of the respondent. Therefore, the researcher addresses confidentiality of the information and explains the purpose of the study to the respondents. And encourage individuals to be free and with a willingness to give their valuable responses to avoid misunderstanding.

3.3. Nature of Data and Instruments of Data collection

3.3.1. Study Population

A population is a distinct group of individuals, whether that group comprises a nation or a group of people with a common characteristic. In statistics, a population is the pool of individuals from which a statistical sample is drawn for a study. Thus, any selection of individuals grouped by a common feature can be said to be a population Nathasya, E. N., Putri, N. K., & Restianto, Y. E. (2021).

The population for this study is all private audit firms in Addis Ababa which are 115 sole practitioners and 16 partnership firms. In utilizing a purposive sampling method, the sample for this study consisted of 150 auditors.

3.4. Data Source

The research uses a survey method by formulating structured questionnaires with a form of fixed-response alternative questions that require the respondent to select from a predetermined set of answers to every question. Thus, samples are obtained from pooled data of the AABE website, which has all available private audit firms in Ethiopia. The respondents are auditors working in these private audit firms in Addis Ababa only. And plan to distribute approximately 150 questionnaires to the above senior auditors' level. Senior-level auditors and above were selected as it was considered that they would provide a reasonable response since they do have experience and as they are responsible to supervise juniors as well as prepare an audit report to be reviewed.

3.4.1. Sampling Design

This thesis used probably sampling method, which is referred to as sampling techniques for which a person's (or event's) likelihood of being selected for membership in the sample. A sampling technique is aiming to identify a representative sample from which to collect data and needs to be representative for the population. Probability sampling includes a Simple random sample that can be a good choice to select the representative.

Since the goal is to make sure the sample could have an equal chance of selection and representative of to the population Stratified sampling is a good technique for this research study to achieve generalizability for such partnership with a small percentage and individual firm with large of the population. For the sample to be representative we need to perform the following procedure, first subgrouping the firms into two types namely sole and partnership and listing out names of firms separately according to their formation. Then perform simple random sampling technique from each group perform to have an equal chance to be representative for so, the study paper selected 57 audit firms from the total population of 131 audit firms, and 3 survey instruments will be sent to a position of senior, and above the level on respective respondents. Where audit firms to which they will provide the required information to file and deliver questionnaires to carry on the objectives study. The data obtained from the respondents are very representative and reasonable ta conclusions.

3.4.1.1. Primary data collection

The thesis used both primary and secondary sources of data. The primary data was collected through a survey directly from respondents; namely Partners, managers, and seniors' employees across selected privately owned audit firms in Addis Ababa. The research designs a highly structured self-administered questionnaire and distributed it to respondents. This is a closed-ended question developed on a five-point Likert scale, ranging from "strongly agree" (5) to "strongly disagree" (1).

The questionnaire was pre-tested with senior audit staff to see if it is realistic, understandable, and easy to complete. Request their feedback from participants on the difficulty they encountered in filling in the questionnaire.

3.4.1.2. Secondary data collection

Secondary data were collected, from the professional association AABE website to have the name of the registered list of audit firms and their address. By having their registered office address the researcher physically visits their offices to distribute questionnaires and collect staff responses from those selected sample audit firms.

3.5. Model Specification

Multiple linear regression (MLR), also known simply as multiple regression, is a statistical technique that uses several explanatory variables to predict the outcome of a response variable. The goal of multiple linear regressions (MLR) is to model the linear relationship between the explanatory (independent) variables and response (dependent) variables. So, that is an appropriate model to analyze the cause and effect of the variables.

To test the determinants of audit quality, this study considers the following model:

$$AQi = \beta 0 + \beta 1QFi + \beta 2Expi + \beta 3ASi + \beta IEi + \varepsilon i \text{ (Model 1)}$$

Where:

AQ = Audit Quality

QF = Academic qualification

Exp = Audit experience

AS = Auditor size

IE = Industry expertise

The dependent variable is audit quality. Auditor independence was utilized as a direct proxy for audit quality.

The variables are captured using responses from the questionnaires; with specific questions assigned for the measurement of each variable.

Table 3,1; a measure of variables

Type	Variables	Measures
Dependent	Audit Quality (AQ)	Question No 25-33
Independent	Academic Qualification (QF)	Question No 1-6
	Audit Experience (Exp)	Question No 7-12
	Industry Expertise (IE)	Question No 13-18
	Auditor Size (AS)	Question No 19-24

Developed by the Author

3.5.1. Data Analysis and Presentation

This research employed statistical data analysis tools which are quantitative data and used both descriptive and explanatory methods to explain the determinants.

Descriptive statistics are used to describe the basic features of the study data. They provide simple summaries about the sample and the measures. So, the descriptive statistic used to assess the demographic profile of the respondents to present quantitative descriptions in a manageable form.

The data collected from the respondent could be sorted out and segregated from those not completed and has errors. Then those data completed without error can be run by statistical data analysis software which is called Statistical Package for Social Sciences (SPSS) to create an overview of the entire data set by summarizing it. And Partial Least Square regression to describe and understand the variables used for the study, correlation analysis; to evaluate the

strength of the relationship between dependent and independent variables to examine the significant relationship between the determinant variables with audit quality.

Furthermore, various diagnostic tests such as Validity, Reliability, Normality, Heteroscedasticity, Multicollinearity, and Autocorrelation tests will be used to determine whether the data used for this study fulfill the assumption of a classical linear regression model.

3.5.2. Tests of Data

Different statistical methods of processing data were used to process quantitatively data collected from the questionnaires. The methods used can be summarized and briefly defined as follows:

Validity: The extent to which how far the instruments measure correctly and accurately and what it is supposed to measure. Therefore, validity refers to the extent to which a method of data collection presents what it is supposed to do. To establish the validity of instruments, the researcher worked together with an advisor and senior audit staff to ensure that the questions are realistic, understandable, and easy to complete.

Reliability: Reliability refers to how to examine the consistency of the data. In this research the reliability is measured by the internal consistency approach, that is, the concept stressing the consistency between items in the questionnaire. The purpose of the pre-test is to verify the logical consistencies, detect problems with a questionnaire, and estimate the reliability of the questionnaires. Internal consistency describes the extent to which all the items in a test measure the same concept or construct and hence it is connected to the inter-relatedness of the items within the test.

To analyze this test used Cronbach's Alpha and R >0.70 indicates that the statement or indicator is reliable otherwise it considers as a poor association.

Multiple linear regression tests

After performing tests on validity and reliability, the classical assumption of multiple linear regression was tested to determine factors affecting audit quality before this let's first test the following assumptions.

Normality: - used to determine whether sample data has been drawn from a normally distributed. Graphical test other methods for assessing the normality of observed data. It means that to check the observed data are normally distributed or not. The normal P-P plot is used to assess normality. In this test the plot indicating the data form an approximately straight line along the line. The normal distribution appears to be a good fit to the data measures how well the data is modeled by a normal distribution Brooks, C. (2008).

O, analyze this test used graphic test and the scatter should lie as close to the line as possible with no obvious pattern coming away from the line to assert that the distribution is normal.

Heteroscedasticity: In simple terms, we can define heteroscedasticity as the condition in which the variance of error term or the residual term in a regression model varies. As in the case of homoscedasticity, the data points are equally scattered while in the case of heteroscedasticity the data points are not equally scattered Brooks, C. (2008).

To analyze Heteroscedasticity testing uses a visual test, in which If the points on the plotline up uniformly along the horizontal line it is homogeneity. But its points are more varied as move along and scattered which is heteroscedastic.

Multi-co-linearity: is a phenomenon in which one predictor variable in a multiple regression model can be linearly predicted from the others with a substantial degree of accuracy. In this situation, the coefficient estimates of the multiple regressions may change erratically in response to small changes in the model or the data. Testing can be analyzed from Variance Inflation Factor (VIF), in which if VIF is less than 10, there is no Brooks, C. (2008)..

To analyze multi-co-linearity testing uses Variance Inflation Factor (VIF) and its result is smaller than 10 It means that there is no multi-co-linearity between independent variables.

Autocorrection: is Autocorrelation refers to the degree of correlation of the same variables between two successive time intervals. It measures how the lagged version of the value of a variable is related to the original version of it in a time series Brooks, C. (2008).

To analyze autocorrelation is the Durbin-Watson test. The Durbin-Watson tests produce a test statistic that ranges from 0 to 4. Values close to 2 (the middle of the range) suggest less autocorrelation, and values closer to 0 or 4 indicate greater positive or negative autocorrelation respectively.

3.5.3. Hypothesis test

The final part of the analysis is the interpretation of structural models is a hypothesis test. The coefficient of the structural model is stating the magnitude relationship between the dependent variable to four independent variables.

Therefore, this research was analyzed based on multiple linear regressions, with the following equation:

$AQi = \beta 0 + \beta 1QFi + \beta 2Expi + \beta 3ASi + \beta IEi + \varepsilon i$ (Model 1)

Where:

AQi = value of Y, if QF, Exp, IE, AS, = 0

β_1, β_2, β_3, β_4, = coefficients of regression

QF = Qualification

Exp = Experience

IE = Industry specialization

AS = Auditor size

e = residual value

Dependent variable

AQ = Audit quality

CHAPTER FOUR

4. Data analysis and presentation

At the first stage, a self-developed questionnaire was developed which has one dependent variable and four independent variables. And done detailed discussion with some of the senior staff about the understandability of questions and whether the questions are not confusing and doubtful. The questionnaire which is a five-point Likert scale (strongly agree to strongly disagree) was used to tap the responses through (Annexure). The data was collected from 92 senior auditors and analyzed in SPSS.

4.1. Characteristics of respondents

Demographic characteristics of the participants are summarized in ***Table 4.1*** on the demographic aspects of the group of respondents, or Auditors, to create a more complete view of the source of primary data processed for the objectives of this paper. Regarding the summarized report in the table about senior auditors, reflects the composition of senior audit staff in each audit firm, based on the data collected from the respondent.

Table 4,1; respondent's demographic characteristics

Category	Label	Frequency	Percent
Age	22-30	45	49%
	31-40	33	36%
	41-50	14	15%
Gender	Male	67	73%
	Female	25	27%
Experience in auditing practice	Less than 5 years	49	53%
	6 to 10 years	30	33%
	11 to 15 years	13	14%
Principal role/Position	Partner	13	14%
	Manager	26	28%
	Senior	53	58%
Highest level of educational qualification	Bachelor's degree	71	77%
	Master of Science	21	23%
Highest level of ACCA qualification	Qualified	11	12%
	part qualified	35	38%
	Not yet started	46	50%

Developed by the Author

Among these 92 respondents, concerning on age 45 (49%) participants were younger than 30, 33 (36%) participants were younger than 35 and the last age-group represents the lowest number 14 (15%) participants elder than 41. This shows that after graduation at an early age there is an interest to work as an auditor, however when we observed the number of staff on two consecutive age intervals dramatically decline. Probably they left to look for better income and as result automatically shift their profession to another profession. when we come to gender composition there were 25 (27%) females and 67 (73%) males who are responsible for a position as senior staff. Regardless of the nature of work most assignments are either out of Addis or even remote areas too so, firms might need men than females. Regarding the work experience of respondents, the table shows that around 49 (53%) had less than five years' experience, about 30 (33%) had experienced between 6 to 10 years and the rest 13 (14%) percent had more than 10 years' work experience in auditing. The figure shows external auditors not interested to work throughout their working age.

As result experienced senior staff in an audit firm for more than 10 years is very minimal. It supports the previous age issue auditors almost half of the staff under five years' experience and since not interested to spend their years, however, the experience needs to understand audit procedure and practice as well good respond for complex issues experienced and identifying risky early.

The senior position, senior auditor 52 (58%), managerial position 24 (28%), and partner position 11 (13%). participants most of them practice their profession as private professionals. This can be considered significant and positive for the work, as the respondents follow the audit engagement and have full knowledge of it, from the moment the customer relationship starts up to the editing of the audit report.

Academic qualification respondents out of 92 were holding bachelor's degree in accounting 71 (77%), 21 were holding M.A. Professionals should update their professional development to align with the new and updated accounting, tax-related, and other rule and regulations expected the audited client complied with. Those who have hold certification in accounting (ACCA) 11(12%) and attending the courses currently on professional level 35(38%) the rest 46(50%) not yet attending this course. From a given data those are holding the certificate does not have long time experience in firms, probably they work as an auditor might be due to filling the criteria needed to have certification to start his/her firm or merge with others as a partner to run a firm. 2 years' experience as audit manager it is a must par AABE to have certification to start or own a firm.

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4.2. Statistical assumption tests

Regression analysis to determine factors affecting audit quality, the linear regression analysis performed by using the statistical package for social science (SPSS) version 20. Now let us look at the assumptions of the linear regression (validity and Reliability test, Normality test, Multicollinearity test, and Homogeneity test) to draw an accurate and reliable conclusion.

4.2.1. Reliability test

A reliability test is used to examine the consistency of the data of this research and the reliability is measured by the internal consistency approach. The concept stressing on the consistency between items in the questionnaire. SPSS software gives the facility to analyze this test by Cronbach's Alpha to analyze this test using Cronbach's Alpha. The constructor variable is reliable if the Cronbach's Alpha is more than 0.6 Brooks, C. (2008). And by the analysis, a reliability value is 0.70 therefore it indicates that the statement or indicator is reliable. And Cronbach Alpha indicates that all items under each variable were sufficiently reliable to measure that variable.

Table 4.2 *shows a reliable test.*

Cronbach's Alpha	N of Items
.717	5

Source; Analysis of survey data 2021, using SPSS 20

Cronbach's Alpha indicates that R on ***Table 4.2 is*** higher than 0.70 therefore it indicates that the statement or indicator is reliable.

Table 4.3 *shows the number of items and Cronbach Alpha for each variable*

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
QF	17.329	2.066	.509	.656
Exp	17.541	2.081	.613	.615
IE	17.184	3.024	-.019	.827
AS	17.394	1.818	.672	.578
Quality	17.095	2.022	.683	.588

Source; Analysis of survey data 2021, using SPSS 20

The reliability testing using SPSS software of Cronbach's Alpha if item deleted shown in Table 4.3 resulted for academic qualification is 0.656; audit experience is 0.651; Industry expertise is 0.827; auditor size is 0.587, and the audit quality is 0.588. It means that all values of Cronbach's alpha are almost equal and more than 0.6. Moreover, the overall Cronbach's Alpha is 0.717. Thus, all data are reliable.

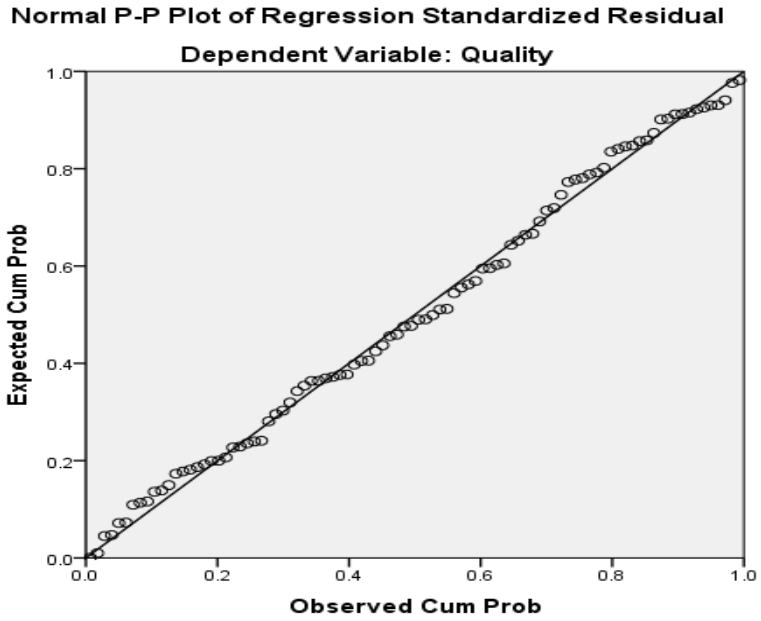
4.2.2. Normality test

The normality testing is used to analyze and know that the residuals are normally distributed therefore in this research; normality is checked through a Q-Q plot. Normality for the model checked and the data distribution is nearer to the line which shows that data is normally distributed.

The normal Q-Q plot is an alternative graphical method of assessing normality to the histogram and is easier to use when there are small sample sizes. The scatter should lie as close to the line as possible with no obvious pattern coming away from the line for the data to be considered normally distributed. From the normal P-P plot chart in figure 4.1 the dots are broadly following the trend line, or our data do cluster around the trend line therefore which is evidence that our distribution is normal.

The other option is a histogram, it is very unlikely that a histogram of sample data will produce a perfectly smooth normal curve like especially if the sample size is small, if the data is approximately normally distributed, with a peak in the middle and fairly symmetrical, the assumption of normality has been met. Therefore, based on the results (Appendix 3 figure 1) of the data described above we can conclude that the residuals are normally distributed.

Figure 4.1: *P-P Plots of normality*



4.2.3. Heteroscedasticity test

Homogeneity of error variances for the model has been checked through different ways which are regression coefficient, scatter plot, and others. If the correlation coefficient is higher than 0.8, it is considered as the model consists of a serious multicollinearity problem (Joseph, G. A., & Rosemary, G. R., 2003).

There is no statistical effect is shown when regressing squared residual on the predicted score, as we can see from Table 4.4. heteroscedasticity test. We notice that p-values (Sig.) are higher than 0.05 what makes us believe with 95% confidence that the four variables under consideration and the condition of variance homogeneity were met. The p-value for the independent variables (0,000) is less than 0.05. Under these conditions, we conclude that we have sufficient evidence to believe with 95% confidence that these three independent variables have an important factor in the

perception of quality audit. All the inter-correlation among the independent variables is below 0.80, the regression coefficient is not significant therefore there is no signal for a possibility of multicollinearity problem in this study.

Furthermore, the points on the plot should line up uniformly along the horizontal line. If disturbance terms (errors) do not have constant variance, then it is said to be heteroscedastic (Gujarati, 2003).

The scattered plots (Annex figure 2.2) indicate the points on the plot did not show any pattern of distribution, so there is no issue of heteroscedastic error terms.

Table 4.4 heteroscedasticity test

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.134	4	3.033	27.216	.000[b]
	Residual	9.697	87	.111		
	Total	21.831	91			

a. Dependent Variable: Quality

b. Predictors: (Constant), AS, IE, QF, Exp

Source; Analysis of survey data 2021, using SPSS 20

4.2.4. Multicollinearity Test

The objective of the test is to see whether there are many multicollinearity problems among variables. If there is a strong relationship between explanatory variables, it implies that there is a problem of multicollinearity. If there is no relationship between the explanatory variables (independent variable), they would be said to be orthogonal to one another. If the explanatory variables were orthogonal to one another, adding or removing a variable from a regression equation would not cause the values of the coefficients on the other variables to change (Brooks, Introductory Econometrics for Finance, 2008)

Table 4.5 shows the result of VIF and tolerance value for the firm performance model. If the VIF value lies between 1-10 there is no multicollinearity but if the VIF is <1, or > 10 then there is multicollinearity. According to the result, none of the independent variable and control variables had a value more than 10 and less than 1, suggesting that there is no multicollinearity problem between independent variables and other independent variables in the firm performance model. The Output of variance inflation factor (VIF) for detecting the existence of multi-collinearity shows that VIF for qualification (1.533), experience (1.759) industrial expertise (1.052), and auditor size (1.698) is smaller than 10. Therefore, there is no signal for a possibility of a multicollinearity problem in this study.

Table 4.5 Multicollinearity Testing

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Qualification	0.652	1.533
Experience	0.568	1.759
Industry Expertise	0.95	1.052
Auditor size	0.589	1.698

a. Dependent Variable: Quality

Source; Analysis of survey data 2021, using SPSS 20

No single solution exists that will eliminate multicollinearity. Certain approaches may be useful however per our results there is a problem related to multicollinearity so, Do Nothing Live with what principle going on.

4.2.5. Autocorrelation

It is assumed that the errors term is uncorrelated with one another. If the errors are not uncorrelated with one another, it would be stated that they are autocorrelated. This is an assumption that the errors are linearly independent of one another (uncorrelated with one another). The simplest test is due to Durbin and Watson's Brooks, C. (2008results on the significance of parameters in the model Durbin and Watson's Test will be used to detect the Autocorrelation problem. There is no autocorrelation problem in the model.

4.3. Discussion Of Results

The study also conducted a correlation analysis through the multiple regression analysis. The analysis describes the linear relationship between the variables considering their strength and direction.

R-square measures the proportion of the total variation of the dependent variable that is explained by the variation of the predictor's variables. Based on the regression result, the R_2 value is 0.5464 (54.6 %) which implies that 54% of fitness can be observed in the sample regression line. This can be further explained as, 54% of the total variation in Audit quality is explained by the independent variables (Qualification, auditor experience, industry expertise, and Auditor size,) jointly the remaining 46% of change is explained by other factors which are not included in the model. The Prob (F-statistic) value is 0.000 which indicates strong statistical significance, which enhanced the reliability and validity of the model. Each variable is described in detail under the following sections.

Table 4.6 Regression coefficients for independent variables identified affect audit quality.

Quality	Coefficient	Std. Error	t-Statistic	P>| t |	[95% conf.	Interval]
Qualification	0.2297262	0.0804274	2.86	0.005	0.0698681	0.3895843
Experience	-0.0667649	0.0810432	-0.82	0.412	-0.227847	0.0943171
Industry expertise	0.1750841	0.0776158	2.26	0.027	0.0208142	0.3293539
Auditor size	0.5136673	0.0745507	6.89	0.000	0.3654897	0.6618448
Constant	0.8638941	0.535978	1.61	0.111	-0.2014202	1.929208

The co-efficient tables ***Table 4.6*** serve as a check on the test of significance as a score of less than 0.05 serves as an indication of strong significance. After replacing them with the model and the regression equation is mathematically presented as follows:

$AQi = \beta 0 + \beta 1QFi + \beta 2Expi + \beta 3ASi + \beta IEi + \varepsilon i$ (Model 1)

$AQi = 0.8638941 + 0.2297262QFi - 0.0667649Expi + 0.1750841IEi + 0.5136673ASi + e$

Where:

AQi = value of Y, if QF, Exp, IE, AS, = 0

$\beta_1, \beta_2, \beta_3, \beta_4$, = coefficients of regression

QF = Qualification

Exp = Experience

IE = Industry specialization

AS = Auditor size

e = residual value

Dependent variable

AQ = Audit quality

The regression analysis shows that which of the variables included in the regression model contributed to the prediction of the dependent variable. We find this information in the output box labeled Coefficients above on Table 4,6

The Standardized Beta Coefficients measured the contribution of each independent variable to the model. A higher beta value would indicate a variation in independent variables resulted in significant changes independent variables. According to (Annex Table 4,5), the standardized beta coefficients of all data are lower than 1. Ignoring any negative signs out the front

This is followed by Industry expertise with a beta value of 0.168 at a significant level of 0.024 which is less than 0.05, next size of Qualification with a beta value of 0.27 at a significant level of 0.003 which is less than 0.05 too, and Auditor size with a beta value of 0.611 at a significant level of 0.000 which is also less than 0.05. Therefore, from the outcome is discussed is as follows.

First hypothesis test (H_1)

Auditor's qualification has a positive effect on audit quality. This means that the higher the auditor's competence, the higher the audit quality. $\beta_1 = 0.2297$ is the coefficient of regression at QF, which indicates that the quality of the audit increases by 0.2297 units for each increment of qualification. In column 5 we observe that the p-value for coefficient β_1 is less than 0.05, so the β_1 coefficient is statistically significant positive relation with audit service quality.

Tested with correlation Hence, H_1 hypothesis Qualifications of Auditors have a significant effect on the quality of audit service accepted. (Andi Kusumawati & Syamsuddin Syamsuddin, 2017)Auditor quality (ethics, commitment, independence, competence, and experience) these

variables as auditor quality the outcome demonstrate no effect on audit quality service. Competency (qualification and personal professional development) is one of these variables. If the variable assessed the relationship with audit quality the result might not be the same. So, the result confirms here auditors' qualifications are essential to undertake quality audit service. That is a significant contribution to undertaking quality audit service to an audit client. (Gul et al, 1994) State "the audit should be performed, and the report prepared with due professional care by persons who have adequate training, experience, and competence in agreeing with the statistical result.

Second hypothesis test (H_2):

Auditor's experience on audit has insignificant effect on audit quality. It means that the auditor experience either higher or minimal does not have such an effect on audit quality. $\beta_2 = -0.0667$ is the regression coefficient at which indicates that the quality of the audit is reduced by -0. 0667 units per each increased unit of the Exp. In column 5 we note that the p-value for the coefficient β_2 is greater than 0.05, meaning that the β_2 coefficient is not significant positive relation with audit service quality. Therefore, regardless of the β_2 coefficient in the selection differs from greater than in absolute value which means that the coefficient β_2 is insignificant contribution on quality audit service.

Since there is no significant relationship between experience and audit quality H_2 hypothesis Auditor's experience has a positive and significant impact on audit quality rejected.

Previous study paper (Eko Suyono, September 2012)examine the determinant factors independence, experience, and accountability affect the audit quality either simultaneously? or partially? or which variable affects dominantly the quality of audit. Experience does not affect audit quality, (Andi Kusumawati & Syamsuddin Syamsuddin, 2017), Auditor quality (ethics,

commitment, independence, competence, and experience) has no direct effect on audit quality, but auditor quality has an indirect effect on audit quality with the mediation of professional skepticism. (Tensae, 2017) demonstrate par analysis experience has a positive and a significant effect on quality audit service. This result confirms that an experience does not influence audit quality by two authors agree with this study paper analysis result however, the last one disproves experience affects the quality.

Third hypothesis test (H_3)

Industry expertise in a specific sector of the profession has a positive effect on audit quality. Since they do have deep knowledge and experience in that specific sector able to find significant risk areas early. $\beta_3 = 0.1751$ is the regression coefficient at IE, which indicates that the quality of the audit increases with 0. 1751 (modest increase) units for each increased unit of the Output Factor. In column 5 we observe that the p-value for the coefficient β_3 is less than 0.05, which means that the coefficient β_3 has significant positive relation with audit service quality.

Hence, the availability of expertise in an assignment has a greater effect on audit quality. And hypothesis H_3: Industry expertise Auditors in a firm do have a significant effect on audit quality is accepted.

This result confirms industry expertise auditors have developed industry-specific knowledge that may enable them to provide higher audit quality than non-specialist auditors (Fuad Elmahedi Hussein & Mustafa MohdHanefah, August 2013) industry experience enhances the performance of external audit function and leads to better audit quality align with the statistical result. However, Rudyanto, A., Daniswari, D., & Oktaviani, Y. (2017) auditor capability (audit industry specialization and auditor tenure) has an insignificant effect on quality audit service. The last

analysis considers auditor capacity as the two variables as aggregate, and the result might be not the same if variables are treated separately.

Fourth hypothesis test (H_4)

Auditors in an audit firm mean the size of an auditor in a firm has a positive effect on audit quality. It means if there are several auditors a higher probability to assign an audit team with the required form in terms of qualification, experience, industry knowledge. $\beta_4 = 0.5136$ is the regression coefficient at AS, which indicates that the quality of the audit increases with 0. 5136 (strong increase) units for each increased unit of the auditor size. In column 5 we observe that the p-value for the coefficient β_4 is less than 0.05, which means that the coefficient β_4 has significant positive relation with audit service quality.

So that such an audit team in the firm has a greater effect on the quality of audit. Hypothesis H_4 Auditor's number/size has a significant relation with audit quality accepted as well.

This result confirms that the auditing process is "primarily human endeavors and audit firms very dependent on the quality of their professionals, including competence and decision-making skills"Smith, E., Bedard, J. C., & Johnstone, K. M. (2009).

CHAPTER FIVE

5. Summary Finding's

The analysis of the results of the responses shows a positive perception of the significant influence that the three factors, qualification, industry expertise, and auditor size, have on audit quality. The three variables considered in this paper have a positive impact on increasing the quality of the audit. According to the perception of the respondents, the quality of the audit is more affected by Auditor size. Industry expertise and auditor academic qualification and finally experience insignificant contribution on audit quality.

5.1. Conclusion and recommendations

The research identified several issues that apply to audit practitioners as individuals or audit firms as professionals are responsible to provide quality audit service. So, the auditors should always keep and alert to improve audit quality by continuous professional development as well audit firms must encourage and support staff to develop their professional development and have adequate professionals with qualifications and staff with an industry specialization to provide quality service to their clients.

5.1.1. Conclusion of the study

The important finding from this research is that Auditor size has the dominant effect on audit quality rather than qualification and industry expertise. Auditors need accountability because auditors are always facing tough challenges. A firm, which has adequate professionals in the profession on the field will improve the quality of audit. This finding is new and can contribute to the development of the body of knowledge in auditing because there were no similar findings before. However, experience has an insignificant effect on audit quality.

This research can contribute to arguments on similar ideas that anybody interested in this issue may use, particularly for the audit firms to improve the quality of audit service. Then the researcher based on the research conclusion, some suggestions are recommended which are as follows:

5.2. Recommendation

5.2.1. Regulatory body and Firms

Since the research aims to raise awareness of the key elements of audit quality. The regulatory body, the Accounting & Audit Board of Ethiopia (AABE) working to explore ways to improve audit quality requirements either by supporting or enforceable rule and regulation. AABE grants work permit certification for newly established audit firms. Since then, at an early stage of establishment of audit firms and, even after being granted the certificate to work need to review their compliance with pre-set requirement continuously with statutory enforcement. This will enable the regulators to effectively deal with accounting, auditing, and financial reporting practices of audit quality. And as well a continual review of the quality of audit input factors improves and enhances audit quality service. In general, AABE should be reviewed, support, and encouraged by audit firms to improve audits by recruiting professionals' competent staff and aware them to enhance the credibility of the audit report.

Firms should consider the expected determinant factors for audit quality. Audit quality has a multi-dimensional impact because such factors affect different directions. Therefore, firms should be professionally and ethically as well as complying with the ISA I would recommend that audit firms should have an adequate staff like over one partner to segregate responsibilities who are responsible to review audit assignments and the one who reviewed quality. And the right combination of the teams for an audit assignment could improve and enhance audit quality contribution to the extent of quality audit service.

5.3. Further research area recommendations.

This thesis paper has probably risen as many questions as it has answered the same is true that several studies might answer some of these questions. Finally, the following suggestions: There is still several determinant variables' contribution to overall audit service quality. Audit quality is a multi-dimensional construct because all factors affect audit quality in different directions. Therefore, auditor turnover could be another identified audit service quality determinant factor.

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Annex

I, list of private Audit firms in Addis Ababa.

No	Name of the Firm	Address
14	**Alemgena and Tesfaye Certified Accountant and Auditor Partnership /ALETA**	አዲስ አበባ
16	**Authorized Accountants and Auditors / Ama-Hai Certified Audit Partenership**	አዲስ አበባ
23	**Asrat, Gezahegne & Birbirssa (ASGB) Certified Audit Partnership**	አዲስ አበባ
26	**Bahru and Tadele Certified Audit Partnership**	አዲስ አበባ
41	**Debebe and Mekonnen Certified Audit Partenership**	አዲስ አበባ
42	**Degefa & Tewodros Audit Services Partnership**	አዲስ አበባ
54	**Eshetu & Mesfin Certified Audit Partnership**	አዲስ አበባ
71	**Girma and Fasil Audit Service Partnership**	አዲስ አበባ
86	**Kokeb and Melkamu Certified Audit Partnership**	አዲስ አበባ
92	**Mengisteab and Daniel Certified Audit Partnership**	አዲስ አበባ
98	**MSE Auditors General Partnership**	አዲስ አበባ
121	**Tadesse W/Gebreal and Seifemicheal Shewagezaw /TSY /Certified Audit Partnership**	አዲስ አበባ
122	**Tafesse,Shisema and Ayalew (TMS Plus) Certified Audi Firm / HST General Partnership/**	አዲስ አበባ
130	**Tesfa, Alemayehu and Yeheyis /TAY/Certified Audit Firm**	አዲስ አበባ
143	**Wubeshet and Alemayehu Audit Service Partnership**	አዲስ አበባ
144	**Wudu and Hussien Certified Audit Partnership**	አዲስ አበባ

Private Audit Firm in Addis Ababa

List of Sole practitioner Audit firms

No	Name of Audit Firms	Address	No	Name of Audit Firms	Address
1	A.A BromHaed Certified Audit Firm	አዲስ አበባ	80	Hruy Abebayehu Mergia Certified Audit Firm	አዲስ አበባ
3	Abebe Kifle Melaku Certifed Audit Firm	አዲስ አበባ	81	Jemal Ali Boru Certified Audit Firm	አዲስ አበባ
4	Abiy Degefe G/Selasie CertifiedAuditing Firm	አዲስ አበባ	82	Khalid Mohammed Ismael CerTified Audit Firm	አዲስ አበባ
5	Abraham Berhanu Admasu Certified Audit Firm	አዲስ አበባ	83	Kassa Yilala Wufye Certified Audit Firm	አዲስ አበባ
6	Abraham Teshome Ageze Certified Audit Firm	አዲስ አበባ	84	Kassaye Assefa Alemu Certifed Audit Firm	አዲስ አበባ
7	Adamu Abere Takele Certified Audit Firm	አዲስ አበባ	85	Kibrom Gebregziabher Nega Certified Audit Firm	አዲስ አበባ
8	Adane Batiso Aniye Certified Audit Firm	አዲስ አበባ	87	Leul Zewdie Shoatatek Certified Audit Firm	አዲስ አበባ
9	Adanech Feyisa Dori Certifed Audit Firm	አዲስ አበባ	88	Lotfi Bibawi Hanna Certified Audit Firm	አዲስ አበባ
12	Akalu Nurye Ibrahim Certified Audit firm	አዲስ አበባ	89	Meberatu Bayih Birhanu Certified Audit Firm	አዲስ አበባ
13	Alemayehu Endale Berta Certified Audit Firm	አዲስ አበባ	90	Mekonnen Gebeyehu G/Hana Certified Audit Firm	አዲስ አበባ
15	Alia Abdulahi Muzeyein Certified Audit Firm	አዲስ አበባ	91	Menbere Leul Kokeb Certified Audit Firm	አዲስ አበባ
17	Amare Getu Abera Certifed Audit Firm	አዲስ አበባ	94	Mesfin Ezezewe Yenineh Certified Audit Firm	አዲስ አበባ
18	Amelework Wondimeneh Tamiru Certified Audit Firm	አዲስ አበባ	95	Michael Shibru Yihyis Certified Audit Firm	አዲስ አበባ
19	Amina Rashed Ibrahim Certified Audit Firm /A.R/	አዲስ አበባ	97	Mohammed Yasin Muzeyin Certified Audit Firm	አዲስ አበባ
22	Asnake Engida Tadesse Certified Audit Firm	አዲስ አበባ	99	Mubarik Zinab Abadega certified auditing firm	አዲስ አበባ
24	Audit Services Corporation Certified Audit Firm	አዲስ አበባ	101	Mulubrhan Meressa Hailu Certified Audit Firm	አዲስ አበባ
25	Awoke Gebreselassie Fite Certified Audit Firm	አዲስ አበባ	102	Mulugeta Eshetu Guale Certified Audit Firm	አዲስ አበባ
27	Belayneh Molla Adgeh	አዲስ አበባ	103	Nardos Worku Beyene Authorised Audit Firm	አዲስ አበባ
28	Belete Tensaye Wakeyo Certified Audit Firm	አዲስ አበባ	106	Salahadin Mohammed Abbubeker Certified Audit Firm	አዲስ አበባ
29	Berhanu Retta Tessema Certified Audit Firm	አዲስ አበባ	107	Samson Worku Bejga Certifed Audit Firm	አዲስ አበባ
31	Bezuayehu Fithamlake Lemnhe Certified Audit Firm	አዲስ አበባ	108	Seid Yassin Teraji Certified Audit Firm	አዲስ አበባ
32	Bezuayehu Mengesha Wibetu Certified Audit Firm	አዲስ አበባ	109	Simon Getachew and Yosef Berhan Certified Audit Firm	አዲስ አበባ
33	Bilal Mohammed Bushira Auditing Certified Audit Firm	አዲስ አበባ	110	Sintayehu Mulugeta Tadesse Certifued Audit Firm	አዲስ አበባ
35	Biruk Hailu Debele Certified Audit Firm	አዲስ አበባ	111	Siyoum Tamene Temesgen Certified Audit Firm	አዲስ አበባ
37	Dagne Mekonnen Yetemegne Certified Audit Firm	አዲስ አበባ	112	Soliyana Kiros Legesse Certified Audit Firm	አዲስ አበባ
39	Daniel Getaneh Tiruneh Certified Audit Firm	አዲስ አበባ	113	Solomon Alehegn Wudie Certified Audit Firm	አዲስ አበባ
40	Dawit Adane Yihune Certified Audit Firm	አዲስ አበባ	114	Solomon Demena Sehine Certifed Audit Firm	አዲስ አበባ
44	Eliab Tilahun Oluma Certified Audit Firm	አዲስ አበባ	115	Solomon Eshete Negash Certified Audit Firm	አዲስ አበባ
45	Elias Zeleke Weldekidan Certified Audit Firm	አዲስ አበባ	116	Solomon Gebrekidan Gebretsadik Certified Audit Firm	አዲስ አበባ
46	Elizabeth Melesse Maru Certified Audit Firm	አዲስ አበባ	117	Solomon Shewaye G/hiwot Certified Audit Firm	አዲስ አበባ
47	Elleni Ali Abduljelil Certified Audit Firm	አዲስ አበባ	118	Solomon Tiruneh Tamerat Certified Audit Firm	አዲስ አበባ
49	Ephrem Demissie Banjaw Certified Audit Firm	አዲስ አበባ	119	Solomon Wassyihun Shumye Cerfified Audit Firm	አዲስ አበባ
50	Ephrem Melaku Tasew Certified Audit Firm	አዲስ አበባ	120	Surafel Akalu G/Tsadik Certified Audit Firm	አዲስ አበባ
51	Ermias Abera Reta Certified Audit Firm	አዲስ አበባ	123	Tambizot Minwuye Walle Certified Audit Firm	አዲስ አበባ
53	Ermias Negussie Abebe Certified Audit Firm	አዲስ አበባ	124	Tamerat Abebe Nebso Certified Audit Firm	አዲስ አበባ
55	Estifanos Tekle Haile Certified Audit Firm	አዲስ አበባ	125	Taye Gebregiorgis W/Micheal Certified Audit Firm	አዲስ አበባ
56	Eyasu W/Mariam Adera Certifed Audit Firm	አዲስ አበባ	126	Te/Ge/So/Gi/Ge/Je/Yo/Ha/ and So Certified Audit Firm	አዲስ አበባ
57	Fekadeab Goshime Retta Certified Audit Firm	አዲስ አበባ	127	Tekestebirhan Dagne Desta Certifed Audit Firm	አዲስ አበባ
58	Feleke Tesema Woldemariam Cerifief Audit Firm	አዲስ አበባ	128	Teklehaimanot Hagos G/Michael Certified Audit firm	አዲስ አበባ

59	**Feysel Takele Reta Certified Audit Firm**	አዲስ አበባ	129	**Tensae Nebiye Gebretekle Certified Audit Firm**	አዲስ አበባ
60	**Frezer Habtewold Bahru Certifed Audit Firm**	አዲስ አበባ	131	**Tesfaye Adugna Tessema Certified Audit firm**	አዲስ አበባ
61	**Geberemelak Bereded Woldetsadik Certified Audit Firm**	አዲስ አበባ	132	**Tesfaye Gedlu Mebrate Certified Audit Firm**	አዲስ አበባ
62	**Gebreamlak Arage Gubena Certified Audit Firm**	አዲስ አበባ	133	**Tesfaye Teferi Anbesse Certified Audit Firm**	አዲስ አበባ
63	**Geletaw Tsegaye Belachew Certified Audit Firm**	አዲስ አበባ	134	**Tesfaye Tesema Shibeshi Certified Audit Firm**	አዲስ አበባ
64	**Geta Mehary Temesgen Certified Audit Firm**	አዲስ አበባ	135	**Tewodros Assefa Beshahe Certified Audit Firm**	አዲስ አበባ
65	**Getachew Benalfew Kassa Certified Audit Firm**	አዲስ አበባ	136	**Tibebe Mengistu Robi Certified Audit Firm**	አዲስ አበባ
66	**Getachew Kassaye Temis Certified Audit Firm**	አዲስ አበባ	137	**Tigist and Eyob Certified Audit Firm**	አዲስ አበባ
67	**Getachew Tabor Telila Certified Audit firm**	አዲስ አበባ	138	**Tinsae Tekeste Dires Certified Audit Firm**	አዲስ አበባ
68	**Getachew Wakjira Wario Certified Audit Firm**	አዲስ አበባ	140	**Tsega Reta Demeka Certified Audit Firm**	አዲስ አበባ
69	**Getachew Yimeneshoa Bezabeh Certified Audit Firm**	አዲስ አበባ	141	**Wegderes Nigussie Agonafir Certified Audit Firm**	አዲስ አበባ
70	**Getenet Worku Beyene Certified Audit Firm**	አዲስ አበባ	142	**Wondu Bekele Kidanemariam Certified Audit Firm**	አዲስ አበባ
72	**Habtamu Tesfaye Tesemma Certifed Audit Firm**	አዲስ አበባ	145	**Yared Desalegn Feyssa Certified Audit Firm**	አዲስ አበባ
73	**Habtewold Menker Wassie Certifed Audit Firm**	አዲስ አበባ	146	**Yeshanew Gonfa Dechassa Certified Audit Firm**	አዲስ አበባ
76	**Haileyesus Chekol Ayalew Certified Audit Firm**	አዲስ አበባ	148	**Yitages Tefera Yadete Certified Audit Firm**	አዲስ አበባ
77	**Hassen Abate Abegaz Certified Audit Firm**	አዲስ አበባ	152	**Yonas Fekede Bonger Certified Audit Firm**	አዲስ አበባ
78	**Hassen Seid Hamed Certified Audit Firm**	አዲስ አበባ	154	**Yonatan Tiruye Mengistu Certified Audit Firm**	አዲስ አበባ
79	**Hiwot Tadesse Akuma Certified Audit Firm**	አዲስ አበባ	155	**Zelalem Tilahun Deresse Certified Audit Firm**	አዲስ አበባ
			156	**Zemedhun Adane Befirdu Certified Audit Firm**	አዲስ አበባ

II, Questions posed to the respondents.

Purpose

With the help of this questionnaire, you can provide a detailed description of yourself and your company. The questionnaire will be used to study the issue of audit quality in the private audit firms for the MSc program in Addis Ababa University to establish whether the determinant variables do have an impact on audit quality.

1) Your Age?	
22-30	
31-40	
41-50	
More than 51 years	
2) Are you?	
Male	
Female	
3) What is your highest level of educ?	
Master of Science	
Bachelor's degree	
Diploma	
Other (please specify)	
4) What is your highest level ACCA qualification?	
Certified	
Professional level	
Skill level	
Other (please specify)	
5) What is your principal role in audit assign assignments?	
Partner/Reviewer	
Manager	
Senior	
Specialist / Expert	
Others (please specify)	
6) What is your overall experience in auditing practice?	
Less than 5 years	
5 to 10 years	
11 to 15 years	
16 to 20 years	
More than 20 years	

Section A, 1: Please provide some background information about yourself by ticking the most appropriate box in each of the following questions.

Section B: The following statements refer to possible attributes of variables on which it could reflect audit quality. Please indicate your personal view of the importance of each statement for audit quality by circling one number on the scale. If you are strongly agreed on the attribute's does have significant importance, please circle number 1, but if you strongly disagree, please circle number 5, if you are in the middle, please circle number 3, if you feel agree or disagree with its attribute, please circle 2 or 4 consecutively. (Please circle only one response per statement):

No	**Parameter 1: Qualification**	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
1	The qualified auditors do have appropriate competency for their roles to provide quality audit service?	5	4	3	2	1
2	The qualified auditor is free from influence, not controlled by another party?	5	4	3	2	1
3	Does a qualified auditor demonstrate an appropriate level of challenge to the management of the audit client?	5	4	3	2	1
4	QuaDoes qualified auditors an appropriate level of challenge to the management of the audit firm?	5	4	3	2	1
5	Qualified auditors possess a good common sense to proceed and demonstrate the assignment with professional skepticism?	5	4	3	2	1
6	Professionally qualified auditors able to design the audit procedure appropriately for collecting sufficient appropriate audit evidence to provide quality audit service for audit clients?	5	4	3	2	1

No	**Parameter 2: Experience**	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
7	Assigning staff with audit experience of the nature of business of the audit client enhances quality audit service on a given audit assignment?	5	4	3	2	1
8	The experience auditor is professionally skeptical and scrutinize to be able to identify the risk area that a business facing at an early stage?	5	4	3	2	1
9	Does the experienced auditor is understanding professional standards and applicable legal and regulatory requirements?	5	4	3	2	1
10	The engagement team with experienced auditors facilitates compliance with the technical requirements of auditing standards?	5	4	3	2	1
11	Is an experienced auditor able to manage and apply appropriate accounting standards to audit client business nature?	5	4	3	2	1
12	An experienced auditor can be able to challenge the audit client decisions in areas in which in need of professional judgment?	5	4	3	2	1

No	**Parameter 3: Industrial expertise**	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
13	Estimates evaluated by management's expert should be tested by the auditor to confirm the accuracy?	5	4	3	2	1
14	Industry expertise contributes to an audit assignment to be performed efficiently and effectively in the time budget?	5	4	3	2	1
15	Industry expertise professional able to respond to technical questions with a definitive answer?	5	4	3	2	1
16	Expertise advise help helps auditors to form a proper audit procedure, to gather more reliable samples to reach a reasonable conclusion?	5	4	3	2	1
17	Auditor's expert has the necessary competence, capability, and objectivity for the auditor's purposes?	5	4	3	2	1
18	Does an engagement team a person using expertise in a specialized area of accounting or auditing help to maintain high high-quality audit service?	5	4	3	2	1

No	**Parameter 4: Auditor size**	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
18	The size of an auditor in the audit firm creates an opportunity to share experience within an engagement team?	5	4	3	2	1
20	The auditor size contributes assignment of sufficient work to be done and to obtain sufficient evidence to support an audit opinion?	5	4	3	2	1
21	The size of an auditor in a firm able auditor to carry on an assignment by their responsibility position or at the center of the audit process?	5	4	3	2	1
22	Is the firm auditor size able to carry out the audit is subject to rev before the audit is completed?	5	4	3	2	1
23	does a firm auditor size an assignment to be performed efficiently and effectively in the time agreed?	5	4	3	2	1
24	Do auditor sizes play a significant contribution in the formation of a strong audit team that works together effectively?	5	4	3	2	1
No	**Parameter 5: Audit Quality**	**Strongly agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
25	The Audi's opinion is free of personal biases and made based on prudent work?	5	4	3	2	1
26	Audits reports are timely reported to the auditees?	5	4	3	2	1
28	Does audit quality the audit work is conducted in compliance with audit standards prior the review before issuing an audit opinion?	5	4	3	2	1
29	Have finding development sheets been drafted to identify areas holding the greatest risk or potential for material findings?	5	4	3	2	1
30	Adequate time allocated for audit assignments relevant to draw appropriate audit opinion?	5	4	3	2	1
31	senior is involved in each audit assignment and reviewed and signed off all audit working papers?	5	4	3	2	1
32	Audit opinion supported with sufficient working papers to be satisfied with the adequacy of audit work?	5	4	3	2	1
33	High-quality audits should lead to useful information to investors and allow them to make better investment decisions	5	4	3	2	1
34	The audit firm is committed to achieving audit quality service.	5	4	3	2	1

Thank you for your valuable input and kind cooperation.

III, Statistical analysis output.

Table 4.1 *model summery*

Model Su

Model	R	R Square	Adjusted R Square	Std. the error of the Estimate	Durbin-Watson
1	.746[a]	.556	.535	.3339	1.716

a. Predictors: (Constant), AS, IE, QF, Exp

b. Dependent Variable: Quality

Table 4.2 *Coefficients*

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.836	.483		1.730	.087		
	QF	.234	.077	.270	3.057	.003	.652	1.533
	Exp	-.064	.093	-.065	-.685	.495	.568	1.759
	IE	.175	.076	.168	2.297	.024	.950	1.052
	AS	.513	.078	.611	6.561	.000	.589	1.698

a. Dependent Variable: Quality

Table 4.3 *Coefficients*

Correlations

		QF	Exp	IE	AS	Quality
QF	Pearson Correlation	1	.512**	-.151	.504**	.519**
	Sig. (2-tailed)		.000	.150	.000	.000
	N	92	92	92	92	92
Exp	Pearson Correlation	.512**	1	.059	.597**	.448**
	Sig. (2-tailed)	.000		.577	.000	.000
	N	92	92	92	92	92
IE	Pearson Correlation	-.151	.059	1	-.043	.097
	Sig. (2-tailed)	.150	.577		.683	.356
	N	92	92	92	92	92
AS	Pearson Correlation	.504**	.597**	-.043	1	.701**
	Sig. (2-tailed)	.000	.000	.683		.000
	N	92	92	92	92	92
Quality	Pearson Correlation	.519**	.448**	.547	.701**	1
	Sig. (2-tailed)	.000	.000	.026	.000	
	N	92	92	92	92	92

**. Correlation is significant at the 0.01 level (2-tailed).

Figure 4.1 Normality Test for Residuals

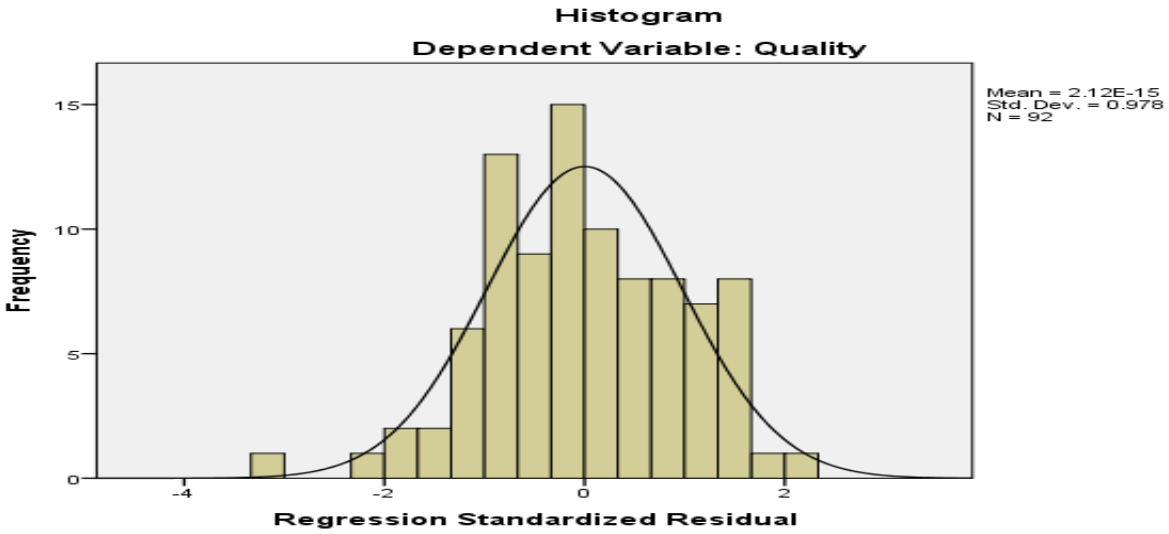

Figure 4.2: Scatterplot of Homogeneity of Error Terms