IMPACT OF PARTNERSHIP ATTRIBUTES ON AUDIT QUALITY: EVIDENCE FROM PRIVATE AUDIT FIRMS IN ADDIS ABABA

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Declaration

I hereby declare that this thesis is the result of my own original work and has not been submitted for the award of a degree at any other university. All sources of information and materials used in the preparation of this study have been properly cited and acknowledged.

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Signature Date

This thesis has been submitted for examination with my approval as University Advisor.

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Signature Date

Statement of Certification

This is to formally affirm that the thesis submitted by Nardos Worku, titled *"Impact of Partnership Attributes on Audit Quality: Evidence from Private Audit Firms in Addis Ababa"* was conducted under the supervision of Dakito Alemu (PhD). This thesis has been presented in partial fulfillment of the requirements for the Master of Science degree in Corporate Finance with specialty in Investment Management. It adheres to the academic regulations of the University and meets the requisite standards of originality and scholarly quality.

Signed by the Examining Committee:

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Advisor: - Dakito Alemu (PhD) Signature _____Date_____

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Abstract

This study examines how partner rotation, industry specialization, competence, and workload management influence audit quality in private audit firms in Addis Ababa, Ethiopia. Motivated by conflicting global evidence, limited empirical research in the Ethiopian context and Ethiopia's ongoing efforts to establish a capital market which demands for high-quality, transparent financial reporting, this study responds to concerns about audit quality in a profession dominated by sole practitioners, who often face limited resources, expertise, and peer review opportunities. The study adopted a descriptive explanatory survey research design and quantitative research approach. A total of 122 questionnaires were distributed to audit partners, principals, and managers using random sampling from the 176 private certified firms registered in Addis Ababa, yielding 110 usable responses. Data were collected using a structured Likert-scale questionnaire and analyzed through descriptive statistics, Pearson correlation statistics, and multiple regression analysis. Regression analysis revealed that partner workload management had the strongest impact, followed by partner rotation and industry specialization. Although partners' competence showed a positive coefficient, it was not statistically significant. The model's R^2 indicates that significant portion of the variance in audit quality was explained by the predictors. The findings underscore the importance of structural practices in audit firms, especially managing partner workloads, promoting rotation and industry specialization, to enhance audit quality. While competence remains relevant, it appears to require reinforcement from other factors. This research contributes to audit quality literature and offers practical recommendations for improving audit standards in Ethiopia's evolving regulatory environment.

Keywords: Audit quality, Partner rotation, Industry specialization, Auditor competence, Workload management

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List of Acronyms

AABE	Accounting and Auditing Board of Ethiopia
AEA	Association of External Auditors
AI	Artificial Intelligence
CPA	Certified Public Accountant
CSR	Corporate Social Responsibility
ECMA	Ethiopian Capital Market Authority
ESX	Ethiopian Securities Exchange
IAASB	International Auditing and Assurance Standards Board
ICAEW	International Chartered Accountants in England and Wales
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
ISA	International Standard on Auditing
ISQM	International Standards on Quality Management
LLM	Large Language Models
ML	Machine Learning
RPA	Robotic Process Automation

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CHAPTER ONE

1. Introduction

This chapter provides an overview of the entire study. It outlines the background and rationale for the research, articulates the problem statement, presents the fundamental research questions, specifies the objectives and hypotheses, and highlights the significance and scope of the study. Additionally, it defines key terms and describes the organizational structure of the thesis.

1.1. Background of the Study

Audit quality is a serious concern globally and the IAASB issued ISQM1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and ISQM 2, *Engagement Quality Reviews* that audit firms are required to implement these standards effective December 15, 2022 (IAASB ISQM 1& ISQM 2, 2020).

Among various factors that affect audit quality, long-term auditor client relationship and lack of audit partners independence, partners industry specialization, partners competence and workload management (Dilyard (2024), Mohapatra, Partha, Ajit, D., Kuntluru, Sudershan, Athira A. (2021), Mishra (2024), Ananda and Faisal (2023), Hwang and Hong (2022), Akib and Anto (2021), Alsaeedi and Kamayabi (2023) and Raweh (2021)) that are related to partnership attributes are empirically identified factors.

Ndagano (2024) highlighted that extended auditor tenure may result in familiarity threats diminishing the quality of financial statements and Qiliang L., Lei Z., Li T., Jian X. (2021), on other hand, observed that audit quality improves with longer audit partner tenure. Mohapatra et al. (2021) found no significant influence of audit partner rotations on audit quality.

Regarding industry specialization, Desai N., Mishra B., Purohit S., Utke S. (2024) examined the relationship between cumulative industry experience and audit quality, concluding that an auditor's overall experience with clients in a specific industry enhances expertise, with greater industry experience leading to improved audit quality. Ananda and Faisal (2023), however, revealed that while industry specialist auditors significantly influence audit quality, their presence does not necessarily lead to its improvement.

Akib and Anto (2021) examined the impact of professional skills and auditor competence on audit quality and concluded that both professional skills and auditor competence significantly influence audit quality. Alsaeedi and Kamayabi (2023) examined the relationship between experience and competence and audit quality and found that auditor experience and auditor competence have a positive influence on audit quality.

Mnif (2021) explored the relationship between audit partner workload and audit quality and conclude that higher workloads lower audit quality. Suhayati (2022) found that an excessive workload among auditors leads to increased stress, which in turn contributes to dysfunctional behavior and a decline in their professional competence. Conversely, Raweh N., Malek M., Kamardin H., Ahmed A. (2021) examined the link between audit partner busyness, tenure, and efficiency, reporting no significant association between partner busyness and audit efficiency.

The country's progresses toward the creation of a capital market demands for high-quality, transparent financial reporting. In Ethiopia, the auditing profession is still evolving, with a significant dominance of sole practitioners compared to partnership firms. Currently there are 176 audit firms which are practicing in Addis Ababa. From total private audit firms operating in Addis Ababa, 22 audit firms are established as a partnership and the rest 154 are practicing as a sole proprietorship (AABE, 2025) and it is crucial to investigate how partnership attributes such as partners rotation, industry specialization, competence and workload management impact audit quality.

1.2. Statement of the Problem

Enhancing audit practices strengthens the credibility of financial statements, which is vital for capital market growth. Reliable reporting increases investor confidence, supports business expansion, and stabilizes the financial system.

The creation of capital markets in Ethiopia has heightened the demand for high-quality and transparent financial reporting. The Ethiopian Capital Market Authority (ECMA) has the authority to approve the appointment of external auditors for licensed markets, mandating that auditors comply with government regulations outlined in the Capital Market Proclamation No. 1248/2021 (Representatives, E. H. o. P, 2021).

Current research findings on the effect of partnership attributes such as partners rotation, partners industry specialization, partners competence and partners workload management on audit quality found to be contradict each other. There are also very limited empirical research exists in Ethiopian audit environment (Dilyard (2024), Mohapatra et al. (2021), Mishra (2024), Ananda and Faisal (2023), Hwang and Hong (2022) and Raweh (2021)).

In Ethiopia, the auditing profession is still developing, with sole practitioners significantly outnumbering partnership firms (AABE, 2025) which is believed to affect audit quality as sole practitioners exhibit limited human and non-human resources and technologies, limited expertise and specialization, higher workload and burnout, reduced peer review and quality control and limited capacity for large clients.

Moreover, the country's progresses toward the creation of a capital market demands for high-quality, transparent financial reporting. Given these issues, it is crucial to investigate how partners rotation, partners industry specialization, partners competence, and partners workload management influence audit quality in private audit firms in Addis Ababa, Ethiopia.

The study will offer valuable recommendations for audit firms to enhance their auditing capacity and methodologies, comply with international best practices, and address challenges related to audit quality. Similarly, reporting entities will benefit from improved audit standards, leading to better financial reporting and compliance with regulatory requirements.

The study's insights will also aid policymakers and regulatory authorities like AABE and ECMA in making informed decisions to strengthen Ethiopia's auditing and financial reporting frameworks and will help refine existing regulations and develop new policies that enhance audit quality, ensuring transparency, accountability, and investor confidence in the financial ecosystem.

1.3. Research Questions

Corresponding to the research objectives, the study attempts to answer the following research questions:

1. How does audit partner rotation affect audit quality in private audit firms in Addis Ababa?
2. What is the effect of audit partners' industry specialization on audit quality in private audit firms in Addis Ababa?

3. How does audit partners' professional competence affect audit quality in private audit firms in Addis Ababa?
4. In what ways do audit partners' workload management practices affect audit quality in private audit firms in Addis Ababa?

1.4. Objectives of the Study

i. General Objective

The main objective of this study is to examine how partner rotation, industry specialization, competence, and workload management influence audit quality in private audit firms in Addis Ababa, Ethiopia.

ii. Specific Objectives

Concerning the above general objective, the following points are set as the specific objectives of the study:

1. To examine the effect of audit partners rotation on audit quality in private audit firms in Addis Ababa.
2. To determine the influence of audit partners industry specialization on audit quality in private audit firms in Addis Ababa.
3. To evaluate the role of audit partners professional competence on audit quality in private audit firms in Addis Ababa.
4. To determine how audit partners workload management practices affect audit quality in private audit firms in Addis Ababa.

1.5. Research Hypothesis

The study examined the following hypothesis:

H1:1 Audit partners rotation has a positive and significant impact on audit quality.

H1:2 Audit partners industry specialization has a positive and significant impact on audit quality.

H1:3 Audit partners competence has a positive and significant impact on audit quality.

H1:4 Audit partners workload management has a positive and significant impact on audit quality.

1.6. Significance of the Study

The auditing profession in Ethiopia is in a developmental phase, with sole proprietorships significantly outnumbering partnership firms. Of the 176 audit firms currently operating in Addis Ababa, 154 are sole proprietorships, while only 22 are partnerships (AABE, 2025). This dominance of sole practitioners highlights the need for a deeper understanding of how partnership attributes in terms of audit partner rotation, industry specialization, competence and workload management affect audit quality.

Existing research on the effects of audit partner rotation, industry specialization, competence and workload management on audit quality presents conflicting findings. Additionally, empirical studies specifically addressing these factors within the Ethiopian auditing environment are limited. As Ethiopia progresses toward establishing a capital market, the demand for transparent and high-quality financial reporting becomes increasingly critical.

The study's findings will provide valuable recommendations for audit firms to improve their methods, align with global standards, and address audit quality challenges. Reporting entities will also benefit from enhanced audit standards, ensuring better financial reporting and regulatory compliance.

The study's findings will also help policymakers improve Ethiopia's financial reporting and auditing frameworks. For regulators like AABE and ECMA, the insights will support refining regulations and developing policies to enhance audit quality, promoting transparency, accountability, and investor confidence. Enhancing audit practices strengthens the credibility of financial statements, which is vital for capital market growth. Reliable financial reporting boosts investor confidence, supports businesses, and promotes financial stability, fostering a more transparent and efficient economy in Addis Ababa and beyond.

1.7. Delimitation of the Study

This study focused on identifying how partner rotation, industry specialization, competence and workload management influence audit quality in private audit firms in Addis Ababa and focused on four variables of the determinants of audit quality called audit partners rotation, audit partners industry specialization, audit partners competence and audit partners workload management on

the quality of audits. Other variable which may affect audit quality such as audit firm size, number of partners, audit fee, audit client size, regulatory enforcement, technological adoption, ethical standards and other factors are excluded from this study.

The study considered audit partners, principals and audit managers to be selected from private audit firms practicing in Addis Ababa, Ethiopia, which represents 79% of the total audit firms operating in Ethiopia. The study excluded other staffs such as junior auditors as the study focuses on audit partnership attributes which is directly related to high positions in audit firms.

Methodologically, the study used descriptive quantitative research approach, and explanatory research design using random sampling technique analyzing cross sectional data.

1.8. Limitations of the Study

While this study provides valuable insights into the determinants of audit quality in private audit firms in Addis Ababa by examining the roles of partner rotation, industry specialization, competence, and workload management, it is not without limitations. One major limitation is the exclusion of other potentially influential variables. Factors such as audit firm size, number of partners, audit fee, audit client size, regulatory enforcement, technological adoption and ethical standards were not considered, which may result in an incomplete understanding of the full range of elements that affect audit quality. Additionally, the study is geographically limited to Addis Ababa, potentially overlooking contextual differences in other regions of Ethiopia. As a result, the findings may not be generalizable to audit firms operating in other cities or rural areas, where operational conditions could differ significantly. Moreover, the study may not have included all private audit firms in the capital, leading to potential sampling limitations. These limitations suggest the need for future research that incorporates a wider set of variables, broader geographical coverage, and a more inclusive sampling approach to provide a more comprehensive understanding of the determinants of audit quality.

1.9. Definition of Concepts and Terms

Audit quality encompasses the key elements that create an environment which maximizes the likelihood that quality audits are performed on a consistent basis (IAASB, 2022).

Partnership is an agreement where parties agree to cooperate to advance their mutual interests. The partners in a partnership may be individuals, businesses, interest based organizations, schools, governments or combinations ((Ailani, 2024).

Engagement Partner the partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body (IAASB, 2020).

Sole practitioner: an individual who independently operates and manages a business or professional practice without partners (Ailani, 2024).

Rotation refers to the mandatory replacement of an audit engagement partner after a specified period to enhance auditor independence and reduce the risk of familiarity threats. This practice aims to improve audit quality by ensuring objectivity and fresh perspectives in the audit process (IAASB, 2020).

Competence to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards (IAASB, 2022).

Specialization is a business technique that involves paying special attention to one or a few products in order to become more efficient (Keptanui, 2024).

Workload is expressed as the situation in which working individuals are in the process of working more than they can complete within the specified time (Jex, 1998).

1.10. Organization of the Study

This research paper organized into five chapters. Chapter One, the introduction, includes the background of the study, along with the statement of the problem, the study's purpose, objectives, research questions, significance, scope, and the paper's organization. Chapter Two, the literature review, provides a critical analysis of relevant literature both theoretical and empirical reviews. Chapter Three covers the research methodology, including the research approach, population sampling techniques, data sources, methods of data collection, and data analysis. Chapter Four presents data analysis and presentation, the study's findings and discussions, while Chapter Five, the final chapter, provides summary of findings, conclusions, recommendations and suggestions for future researches.

CHAPTER TWO

2. Literature Review

This section is divided in to three parts namely theoretical review and empirical studies on audit quality and the conceptual framework. The key goal of this chapter is to make readers to get understanding of what is already known within the area of study. Principally it focuses on the review of both the theoretical and empirical evidence on the partnership firm structure and number of partners, industry specialization and workload management and collaboration and their impact on audit quality.

2.1 Theoretical Review

2.1.1 Background to Auditing

i) Ancient Times

Auditing predates the Christian era. Anthropologists have found records of auditing activity dating back to early Babylonian times (around 3000 BC). There was also auditing activity in ancient China, Greece and Rome. The Latin meaning of the word “auditor” was a “hearer or listener” because in Rome auditors heard taxpayers, such as farmers, give their public statements regarding the results of their business and the tax duty due (Hayes R., Dassen R., Schilder A., Wallage P., 2005).

Auditors existed in ancient China and Egypt. They were supervisors of the accounts of the Chinese Emperor and the Egyptian Pharaoh. The government accounting system of the Zhao dynasty in China included an elaborate budgetary process and audits of all government departments. (Hayes et al., 2005).

The practice of modern auditing dates back to the beginning of the modern corporation at the dawn of the Industrial Revolution. In 1853, the Society of Accountants was founded in Edinburgh. Several other institutes emerged in Great Britain, merging in 1880 into the Institute of Chartered Accountants in England and Wales (ICAEW) (Hayes et al., 2005).

ii) Current Developments

The financial statement auditing process is currently experiencing significant changes driven by technological advancements and evolving regulatory environments. Key developments include the following: Artificial Intelligence (AI) and Machine Learning (ML) are transforming auditing by automating routine tasks, enhancing accuracy, and delivering deeper insights, with Large Language Models (LLMs) being fine-tuned to analyze specific industry data. Robotic Process Automation (RPA) is streamlining repetitive tasks, such as data entry, enabling auditors to concentrate on more complex and strategic activities. Blockchain technology provides a transparent and tamper-proof ledger system, enhancing the efficiency and reliability of financial audits. Additionally, advanced data analytics allows auditors to process vast amounts of data quickly and accurately, leading to more effective audits (Heller, 2024).

iii) Future Trends

The future of auditing is expected to evolve significantly, incorporating several key trends: the increased use of Artificial Intelligence (AI) and Machine Learning (ML) to enhance audit efficiency and effectiveness; a greater emphasis on Environmental, Social, and Governance (ESG) assurance, with auditors playing a critical role in verifying ESG-related disclosures as sustainability becomes increasingly important in business; adaptation to digital transformation, including managing risks associated with emerging technologies and ensuring the security of digital assets; and a continued focus on auditor independence and ethical standards to maintain trust in financial systems. These developments highlight a shift towards a more technology-driven, efficient, and value-added auditing profession. To remain relevant and effective, auditors must continually update their skills and adapt to these changes (Farrell, 2023).

2.1.2 Theories on the Demand and Supply of Audit Service

i) The Policeman Theory

According to Hayes et al. (2005), the "Policeman Theory" posits that an auditor's role is akin to that of a police officer, primarily focusing on the prevention and detection of fraud. This perspective was widely accepted prior to the 1940s, with auditors primarily responsible for ensuring numerical accuracy and identifying fraudulent activities.

ii) The Lending Credibility Theory

The "Lending Credibility Theory" posits that auditing enhances the credibility of financial statements, fostering stakeholders' trust in management's stewardship. By ensuring financial statements fairly represent a firm's economic value, auditing reduces information asymmetry. However, the efficient markets theory challenges this view, arguing that audited information is not the primary factor influencing investor decisions (Hayes et al., 2005).

iii) Theory of Inspired Confidence

The "Theory of Inspired Confidence," developed by Dutch professor Theodore Limperg in the late 1920s, explains the demand for and supply of audit services. The demand arises from external stakeholders who seek accountability from management, as the information provided may be biased due to conflicts of interest. On the supply side, Limperg asserts that auditors must meet the expectations of rational stakeholders by delivering fair and responsible audits within the capabilities of available techniques, avoiding both unrealistic and unmet expectations (Hayes et al., 2005).

iv) The Agency Theory

The "Agency Theory," introduced by Watts and Zimmerman, explores the relationship between owners (principals) and managers (agents), highlighting the need for reliable auditors to serve the interests of both parties. A company is viewed as a network of formal and informal contracts, where management seeks favorable terms from stakeholders, such as low-interest loans or high stock prices. Principals require assurance that management acts in their best interests, incurring costs such as monitoring (oversight expenses), bonding (agent compliance efforts), and residual losses (remaining inefficiencies). This theory, which spans multiple disciplines, requires reevaluation in light of contemporary debates on corporate performance and CEO remuneration (Zogning, 2022; Hayes et al., 2005).

2.1.3 Benefits of Auditing

Auditors are typically appointed by shareholders and report directly to them or through the audit committee and other governance bodies. However, audited financial statements, particularly for public companies, are often publicly accessible and used by various stakeholders. These include

potential investors evaluating the company's shares and suppliers or lenders considering business relationships. A thorough audit process can also highlight areas where management might improve controls or processes. In some cases, auditors are required to report control deficiencies to management and governance bodies, providing valuable insights that enhance the quality of the company's business processes (PwC, 2017).

2.1.4 Audit Quality

According to DeAngelo's (1981, P. 186) definition of audit quality, "the market-assessed joint probability that a given auditor will both discover a breach in a client's accounting system and report the breach,". Audit quality is a serious concern globally and the International Auditing and Assurance Standards Board (IAASB) issued International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements with the objective of the firm to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements and International Standard on Quality Management (ISQM) 2, Engagement Quality Reviews with the objective of the firm, through appointing an eligible engagement quality reviewer, to perform an objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon. Audit firms are required to implement these standards effective December 15, 2022 (IAASB ISQM 1& ISQM 2, 2020).

i) IAASB framework for audit quality

Audit quality refers to the essential factors that foster an environment for consistently high-standard audits. It requires a team with strong ethics, expertise, and sufficient resources, ensuring compliance with standards, effective quality control, timely reporting, and stakeholder engagement. The quality of an audit is influenced by inputs, processes, outputs, and interactions, as outlined in the Framework for Audit Quality (IAASB, 2022).

Inputs: Inputs are the values, ethics and attitudes of auditors, which in turn, 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.

Process: The rigor of the audit process factor for engagement, firm and national levels and quality control procedures impact audit quality.

Outputs: Audit outputs include formal reports and information shared with stakeholders, as well as internal outcomes not visible to outsiders. These outputs are shaped by factors like legislative requirements, with some stakeholders, such as investors, having more influence on the nature of the reports.

Key Interactions within the Financial Reporting Supply Chain: Each stakeholder in the financial reporting supply chain contributes to high-quality reporting, but their interactions significantly affect audit quality. Both formal and informal communications, shaped by the audit's context, create a dynamic link between inputs and outputs.

Contextual Factors: Stakeholders in the financial reporting supply chain are essential to maintaining high-quality reporting. Their formal and informal interactions influence audit quality and establish a dynamic connection between inputs and outputs, depending on the audit context (IAASB, 2022).

ii) Ethical Frameworks and Professional Ethics Codes

Ethical frameworks and professional ethics codes provide the foundation for ethical decision-making and behavior in audit and assurance services. These frameworks are designed to guide auditors in maintaining independence, objectivity, and professionalism in their practice.

iii) International Ethics Standards Board for Accountants (IESBA) Code of Ethics

The Code sets high ethical standards for professional accountants, guiding IFAC members and others developing ethics codes. It outlines five fundamental principles and a framework for identifying and managing threats to compliance, including independence risks in audits and assurance engagements (IESBA, 2024).

Integrity – to be straightforward and honest in all professional and business relationships.

Objectivity – to exercise professional or business judgment without being compromised by bias; conflict of interest; or undue influence of, or undue reliance on, individuals, organizations, technology or other factors.

Professional Competence and Due Care – to attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and act diligently and in accordance with applicable technical and professional standards.

Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships.

Professional Behavior – to comply with relevant laws and regulations; behave in a manner consistent with the profession's responsibility to act in the public interest in all professional activities and business relationships; and avoid any conduct that the professional accountant knows or should know might discredit the profession (IESBA, 2024).

2.1.5 Audit Partnership Structures

A partner in an audit engagement is defined as "the partner or other person in the firm who is responsible for the audit engagement, its performance and for the auditor's report that is issued on behalf of the firm", where the audit partner should be totally responsible for the quality of audit output of each audit engagement to which that partner is assigned (IAASB, 2022).

Public accounting firms differ in their services and organizational structures, influenced by three key factors: (1) the need for independence to ensure unbiased auditing, (2) fostering competence for efficient and effective services, and (3) mitigating litigation risks, with some structures offering protection to individual members (Arens A., Randal J., Mark S. Chris E. Hogan, 2023).

There are six organizational structures for CPA firms, most of which separate the entity from the individual CPA, promoting independence and offering varying levels of protection against litigation:

i) **Proprietorship**: For firms with one owner. Due to litigation risks, many proprietorships have transitioned to structures with limited liability.

ii) **General Partnership**: Similar to a proprietorship but for multiple owners. This structure is less common due to the lack of liability protection.

iii) **General Corporation**: Limits shareholder liability to their investment but is rarely used by CPA firms due to legal restrictions in most states.

iv) **Professional Corporation (PC)**: Owned by shareholders and offers liability protection, which varies by state, complicating multi-state operations.

v) **Limited Liability Company (LLC)**: Combines partnership taxation with corporate liability protection. Widely allowed for accounting firms in most states.

vi) **Limited Liability Partnership (LLP)**: Structured like a partnership with liability protection limited to supervision responsibilities. This structure is popular, especially among the Big Four firms, due to its balance of flexibility and protection (Arens et al., 2023).

Advantages and Disadvantages of a Partnership

According to Moric (2023), partnerships offer the underlisted advantages and disadvantages:

Advantages:

- Complementary Skills and Knowledge: Partners can fill gaps in expertise, leveraging diverse skills for better business outcomes.
- Shared Financial Burden: Partners share startup costs and expenses, easing financial pressure.
- Increased Opportunities: Financially strong or well-connected partners can bring funding and valuable industry contacts.
- Improved Work-Life Balance: Sharing responsibilities helps reduce individual workload and enhances productivity.
- Fresh Perspectives: Partners contribute diverse ideas and experiences, fostering innovation and business growth.

Disadvantages:

- Reduced Autonomy: Equal decision-making power often requires compromises unless specified otherwise in the agreement.
- Potential for Conflict: Disagreements among partners can hinder progress, especially without dispute-resolution mechanisms in place.
- Instability: Partnerships depend heavily on individuals, making them vulnerable to life events such as illness or departure.
- Shared Profits: Revenue is divided among partners, which can limit individual earnings despite increased opportunities (Moric, 2023).

2.1.6 Theories on Partnership

i) Resource-Based View (RBV)

The resource-based view (RBV) suggests that a company's assets, processes, expertise, and capabilities enhance its market position. This theory emphasizes aligning strategic resources with the external market rather than focusing solely on competition. Organizations of all sizes rely on internal resources, such as financial, physical, and human capital, to operate effectively. While large companies have structured resource management, small businesses can leverage human capital and technical expertise despite limited financial and physical resources (Picincu, 2020).

ii) Dynamic Capabilities Theory

Dynamic capabilities refer to a firm's ability to adapt its resources to changing markets. The Dynamic Capabilities Theory explains how companies gain and sustain competitive advantage by adjusting internal and external resources. Key components include sensing opportunities and threats, seizing opportunities through strategic investments, and transforming resources to stay competitive (Teece, D. J., Pisano G., Shuen, A., 1997).

iii) Equity Theory

Equity Theory explores how individuals assess fairness in social and workplace relationships. It proposes that employees compare their efforts, skills, and experience with their rewards, such as

salary and recognition, relative to others. If they perceive an imbalance, they may attempt to restore fairness by adjusting their effort, seeking better rewards, or leaving the organization (Adams, 1965).

Equity Theory states that individuals seek fairness in workplace exchanges by comparing their efforts and rewards to those of others. Perceived fairness boosts satisfaction and motivation, while imbalance leads to dissatisfaction. A fair work environment supports well-being, job satisfaction, and productivity. Adams emphasized the importance of social justice in organizations (Vishnusekhar, 2024).

iv) Job Demands-Resources (JD-R) Model

The Job Demands-Resources (JD-R) Model emphasizes that a heavy workload must be balanced with adequate resources, such as teamwork, technology, and support, to prevent burnout. In partnerships, fair work distribution is essential to reducing stress. This framework explains how job characteristics influence employee well-being, motivation, and performance by categorizing them into job demands and job resources, with their balance affecting stress and engagement (Bakker & Demerouti, 2007).

v) Knowledge-Based View of the Firm (KBV)

The Knowledge-Based View (KBV) of the firm is a management theory that identifies knowledge as a firm's most valuable strategic resource. It highlights three key characteristics: transferability, capacity for aggregation, and appropriability. Expanding on the Resource-Based View (RBV), KBV emphasizes that a firm's competitive advantage depends on its ability to create, store, transfer, and apply knowledge more efficiently than competitors. This theory suggests that firms exist because they integrate specialized knowledge more effectively than markets (Grant, 1996).

vi) Theory of Collaborative Advantage

The Theory of Collaborative Advantage explains that organizations achieve better performance and outcomes through collaboration rather than competition. It highlights that businesses, governments, and non-profits form partnerships to achieve goals that would be impossible individually. Collaboration allows access to shared resources, knowledge, innovation, and market opportunities, resulting in mutual benefits (Huxham & Vangen, 2005).

vii) Social Capital Theory

Social capital revolves around how individuals interact with one another. It involves 1) the nature of our social connections and 2) the shared norms and understandings that shape our actions and interactions. While social capital is about knowing many people, it goes beyond that—it focuses on building strong, positive relationships within supportive social structures, involving diverse individuals from different backgrounds. Social capital refers to social connections that offer productive benefits, as we recognize the value we gain from our relationships with others (Claridge, 2019).

2.1.7 International Auditing and Assurance Standards Board (IAASB) and International Standards on Auditing (ISAs)

The International Auditing and Assurance Standards Board (IAASB®) is an independent global standard-setting board. The IAASB serves the public interest by setting high-quality international standards for auditing and assurance, quality management, reviews and related services, and by facilitating the convergence of international and national standards. In doing so, the IAASB enhances the quality and uniformity of practice throughout the world and strengthens public confidence in the global auditing and assurance profession. The IAASB develops and issues its standards independently and in accordance with an approved due process and the Public Interest Framework, overseen by the Public Interest Oversight Board.

International Standards on Auditing (ISA) are globally recognized professional standards designed to ensure the quality, consistency, and credibility of audit practices. Developed by the International Auditing and Assurance Standards Board (IAASB), ISAs provide a comprehensive framework for the execution of audits, focusing on the responsibilities of auditors, the planning and execution of audits, and the reporting of results.

International Standards on Auditing (ISA) establish the principles and objectives that auditors must follow when conducting an audit of financial statements. They are designed to ensure high-quality audits that provide reasonable assurance about the accuracy and fairness of financial reporting.

Key Features:

- **Global Applicability:** ISAs are intended for use in audits across jurisdictions, promoting consistency and comparability in audit practices worldwide.
- **Risk-Based Approach:** ISAs emphasize a risk-based audit approach, requiring auditors to assess the risk of material misstatements and tailor audit procedures accordingly.
- **Professional Judgment and Skepticism:** ISAs encourage the application of professional judgment and skepticism, particularly in areas where management judgment or estimates are involved.

Audit firms in Ethiopia are required to use ISAs for financial statement audits. (Representatives, E. H. o. P, 2014).

2.1.8 Auditing in Ethiopia

i) Evolution of Auditing in Ethiopia

Auditing in Ethiopia is an evolving field that has undergone significant changes in recent years, particularly with the increasing global demand for financial transparency and accountability. The growth of the Ethiopian economy, the opening up of various sectors, and the modernization of its regulatory framework have driven developments in the practice of auditing.

The history of auditing in Ethiopia can be traced back to the early 20th century. Here are some key milestones:

Early 20th Century: Auditing practices began with the influence of foreign advisors during the construction of the Ethio-Djibouti railway in the 1890s. This period saw the introduction of basic auditing principles.

1944: The establishment of the Audit Commission by Proclamation No. 69/1944 marked the formal start of government auditing in Ethiopia. The commission was responsible for examining and controlling the accounts of the Ministry of Finance.

1946: Proclamation No. 79/1946 centralized audit control by establishing the Audit and Control Office under the direction of the Comptroller and Auditor General.

1955: The Revised Constitution provided the Auditor General with wider duties and a significant degree of independence. The Auditor General reported to the Emperor and Parliament on the financial operations of the government.

Post-1974: The period following the 1974 revolution saw significant changes in the auditing landscape, influenced by the country's political and economic shifts.

1991 Onwards: The return to a capitalist-oriented system led to further development and modernization of auditing practices in Ethiopia.

These milestones highlight the evolution of auditing in Ethiopia, emphasizing the importance of independence, integrity, and the need for relevant financial information.

ii) Accounting and Auditing Board of Ethiopia (AABE)

The Accounting and Auditing Board of Ethiopia (AABE) was established in 2014 with the objectives of promoting high quality reporting of financial and related information by reporting entities; promoting the highest professional standards among auditors and accountants; promoting the quality of accounting and auditing services; ensuring that the accounting profession is used in the public interest and protecting the professional independence of accountants and auditors (Representatives, E. H. o. P, 2014; Ministers, Council, 2014).

Since its establishment, the Board has issued various directives to promote quality audit services. As per Ethiopian Commercial Code 1243/2013, the Board has promoted establishment of partnership audit firms including Limited Liability Partnership in Ethiopia to enable audit firms increase their resources and provide quality audit services.

The Board has currently in the process of amending its professional accounting and audit licensing regulations. The Board has allowed all the concerned parties to provide comments and suggestions on the draft regulation suggestions before 22 November 2024, before it is submitted to the Ministry of Justice for approval. The Board has also working on development of proclamation on establishment of Ethiopian Institute for Chartered Certified Accountants (AABE, 2024).

iii) Association of External Auditors (AEA)

The Association of External Auditors (AEA) is a certified audit professionals' association established in 2011 by 40 practicing professionals who are owner of audit firms with the general purpose of contributing to the prosperity of the accounting and auditing profession in Ethiopia and to protect the interests of members and the public.

The association is registered and certified by the then proclamation number 621/2009 Charities and Civil Societies Agency. Because of the proclamation amendments, the association then re-registered and certified by Ethiopian Civil Society Organizations Authority, certificate No. 2393, since 2019. Currently, the association has 125 practicing members who all are participating on statutory audit services in the country based on the international audit standard (AEA, 2025).

iv) Audit Firms in Ethiopia

Currently there are 223 private audit firms in Ethiopia. 176 audit firms are established in Addis Ababa and the rest 47 audit firms are established out-side Addis Ababa. Form total private audit firms operating in Addis Ababa, 22 audit firms are established as a partnership and the rest 154 are practicing as a sole proprietorship (AABE, 2025). This means only 12.5% of the total audit firms in Ethiopia are practicing as partnership firm structure. The remaining 87.5% audit firms are established and managed by one partner.

v) Establishment of Ethiopian Capital Market Authority (ECMA)

The Ethiopian Capital Market Authority (ECMA) was established under Proclamation No. 1248/2021 with the main goals of protecting investors, ensuring an orderly, fair, efficient, and transparent securities market, reducing systemic risk by maintaining market integrity, and fostering capital market development to support long-term investments. (Representatives, E. H. o. P, 2021).

The Authority is empowered to approve the appointment of external auditors for licensed market participants and to appoint auditors for specific audits of their financial operations when needed, at the participants' expense. Auditors in this environment must comply with laws and regulations set by the authorized government body, and the Authority issues directives on the minimum professional knowledge and experience required for external auditors performing audits of licensed entities (Representatives, E. H. o. P, 2021).

vi) Establishment of Ethiopian Securities Exchange (ESX)

Ethiopian Securities Exchange (ESX) officially started operation in January 2025 as authorized by the Ethiopian Capital Market Authority (ECMA). Audit firms in Ethiopia should assess their position in terms of resources and their capacity to render the required audit service so as they discharge their responsibilities and become competitive (ESX, 2025).

2.2 Empirical Review

In this sub-section, the findings of the previous researches are discussed.

2.2.1 Partners Rotation

Various studies have been made to identify the effect of audit partners rotation on auditors' independence and audit quality. Mohapatra et al. (2021) investigated the effect of audit partner rotation on audit quality in India, where reputation risk outweighs litigation risk due to the country's low litigation environment. The study focused on the voluntary audit partner rotation framework in India between 2011 and 2017, analyzing 1,694 firm-years of data. Applying pooled regression model and using proxies such as discretionary accruals and going concern audit opinions for audit quality, the findings revealed no significant impact of audit partner rotation on maintaining audit quality. The result of the study is found to be contradicts with other research outcomes such as Suhayati and Dilyard (2024) who identified auditor rotation positively influences both auditor independence and performance.

Kuang H., Huimin L., Matthew G., Robert L. (2020) explored the effects of mandatory audit partner rotation on audit quality in the United States by analyzing 171 rotation events from SEC comment letter data. Applying multiple regression analysis, the study found no substantial evidence that mandatory rotations improve audit quality through a "fresh look." Instead, it indicated a higher likelihood of material misstatements, leading to restatements, particularly when audit firm tenure is short. Additionally, the research showed that mandatory rotation often prompts auditor-client realignment. The result of the study is found to be contradicts with other research outcomes such as Keneth L., Josephat C., Ambrose K. (2021) suggested that shorter partner tenures significantly enhance auditor independence.

Qiliang et al. (2021) analyzed how close auditor-client relationships and audit partner rotation impact audit quality in China. Using data from 3,902 and 8,903 client-year observations during voluntary (1998–2002) and mandatory (2003–2009) rotation periods and applying ordinary least squares regression model, the study found that audit quality improves with audit partner tenure in the absence of close relationships but declines when such relationships exist under voluntary rotation. However, under mandatory rotation, audit quality showed no association with partner tenure, regardless of auditor-client relationships.

Suhayati and Dilyard (2024) investigated the effects of auditor rotation on auditor independence and performance in West Java, Indonesia. The population in the study was 37 Public Accounting Firms active in West Java. The study used descriptive verification approach utilizing path analysis. Based on responses from public accounting firms, the study found that auditor rotation positively influences both auditor independence and performance which is consistent with the findings of Keneth et al. (2021) who concluded that limiting the duration of an auditor's tenure can strengthen their objectivity and professional judgment.

Ndagano (2024) examined the relationship between auditor independence and financial statement quality in Rwanda, highlighting its importance for financial reporting and corporate governance. Using desk study research design is commonly known as secondary data, the study found that factors such as auditor tenure, non-audit services, regulatory reforms, governance practices, and audit firm characteristics significantly affect auditor independence and financial statement reliability. Prolonged tenure and heavy reliance on non-audit services were associated with reduced independence and lower statement quality, while audit firm size, industry expertise, and reputation also played key roles.

Keneth et al. (2021) investigated how partner tenure influences auditor independence, using the issuance of a going concern opinion as a measure. Analyzing data from 120 Kenyan firms between 2011 and 2018 through descriptive and inferential statistics, their study found that shorter partner tenures significantly enhance auditor independence. This suggests that limiting the duration of an auditor's tenure can strengthen their objectivity and professional judgment.

2.2.2 Partners Industry Specialization

Researchers have made various studies to identify the effect of partners industry specialization on audit quality. Dekeyser S., Xianjie H., Tusheng X., Luo Z. (2023) analyzed the impact of auditors' industry range on audit quality using 15,537 client-year observations from 3,798 engagement partners and 2,740 clients over 2006–2015. Using regression analysis, the study found that wide range of industry experiences tend to require audit adjustments more frequently than auditors with a narrow industry range. The result is consistent with other findings Desai et al. (2024), Cassell C., Hunt. E, Narayanamoorthy G., Stephen P. (2019).

Desai et al. (2024) examined the relationship between audit partners' cumulative industry experience and audit quality in India. Taking 28,082 firm-year observations from 1990 to 2020 and applying OLS regression model, their findings indicate that cumulative industry expertise, based on the total number of clients audited in a specific industry, enhances audit quality. Higher industry experience was associated with reduced discretionary accruals, lower debt costs, and improved earnings response coefficients (ERCs).

Cassell et al. (2019) explored the impact of banking auditor industry specialization on audit outcomes before and during the financial crisis. Using 3,199 bank company-year observations through comparative descriptive statistics, they found that before the crisis, industry specialization was linked to higher audit quality and timeliness. However, during the crisis, specialization was associated with lower audit quality and delays, likely due to challenges in resource allocation within the banking sector.

Mnif and Cherif (2023) explored the connection between an audit engagement partner’s industry specialization and audit report lag using an extensive Swedish partner-level dataset. Analyzing 1,940 firm-year observations from 2010 to 2019 using Least Squares regressions, their study found that industry specialist audit partners possess substantial industry knowledge, enabling them to finalize audit reports more efficiently than non-specialist auditors.

Ananda and Faisal (2023) examined the impact of audit fees, audit tenure, auditor industry specialization, and audit firm size on audit quality. Analyzing data from companies listed on the Indonesia Stock Exchange (IDX) between 2018 and 2020 and using the panel regression analysis with a random effect model, their study revealed that while industry specialist auditors significantly

influence audit quality, their presence does not necessarily lead to its improvement, which is contradicted with other study findings Dekeyser et al. (2023), Desai et al. (2024).

2.2.3 Partners Competence

Akib and Anto (2021) examined the impact of professional skills and auditor competence on audit quality within the Provincial Inspectorate of Southeast Sulawesi. Based on questionnaire data collected from a sample of 31 auditors, their study concluded that both professional skills and auditor competence significantly influence audit quality. The result is consistent with other research findings Alsughayer (2021), Alsaeedi and Kamayabi (2023).

Alsughayer (2021) explored the influence of auditors' competency, integrity, and ethics on audit quality from the perspective of auditors, employing descriptive statistical analysis. Data were gathered through questionnaires distributed to 102 auditors working in auditing firms across Saudi Arabia. The study's findings revealed that competence, integrity, and ethics significantly affect audit quality. Additionally, the results highlighted that the key factors influencing audit quality include auditors' continuous professional development and training programs, their approach to performing duties, and adherence to the code of conduct.

Alsaeedi and Kamayabi (2023) examined the relationship between experience and competence and audit quality. Applying the multivariate regression model for collected data using questionnaire survey from 91 auditing and accounting offices in Iraq, the study found that auditor experience and auditor competence have a positive influence on audit quality.

The above studies show the same findings that auditor’s professional competence has a positive impact on audit quality.

2.2.4 Partners Workload Management

Mnif and Cherif (2021) studied the impact of audit partner workload and gender on audit quality in Sweden using 1,629 firm-year observations from 2010 to 2018 and using least squares regression analysis. Their findings show that higher workload, irrespective of gender, is linked to increased discretionary accruals, supporting the "busyness hypothesis" that excessive client assignments lower auditors' effort and audit quality. The result of the study is consistent with the findings by Hwang

and Hong (2022), Suhayati (2022). However, it is not consistent with the findings of Raweh et al. (2021), which found that audit efficiency is not affected by audit partner busyness.

Kovarik (2022) examined the effect of audit partners' workload compression on audit quality in Europe using 7,904 company-year observations comprised of 1,111 different companies, 151 audit office under 64 audit firms, across 1,693 audit partners. Using OLS and fixed effect regression analysis, the study found that increased workload compression results in longer audit report delays, more earnings manipulation, and poorer market reactions. However, risk-averse behavior in auditors can mitigate these effects, especially in adverse audit opinions. The severity of workload compression increases with the number of clients an audit partner manages.

Cheng Y., Christine M., Haynes, Michael D. (2021) investigated the impact of audit partner's engagement portfolio workload (EPW) on audit quality, emphasizing client size in US. Using 4,955 firm-year observations representing 2,004 specific audit partners for 2,884 companies and running multivariate regressions, their findings revealed that clients audited by partners with larger EPWs had smaller discretionary accruals, were less likely to manipulate profits, and had quicker audit report releases. This effect was observed only in non-Big 4 firms, indicating that workload improves audit quality in these firms, though it does not suggest that Big 4 audit quality cannot be enhanced.

Raweh et al. (2021) studied the relationship between audit partner busyness, tenure, and audit efficiency in Omani listed companies from 2013 to 2016, using 388 client-year observations and based on a pooled OLS regression, the study found that audit efficiency is not affected by audit partner busyness or tenure. The findings of the study, however, contradicts with other research findings Mnif and Cherif (2021), Suhayati (2022), Hwang and Hong (2022).

Suhayati (2022) employed a descriptive verification approach in this research, utilizing the Structural Equation Modeling test to draw conclusions. The study examined a sample of 97 public accounting firms located on Java Island, Indonesia, focusing on both senior and junior public accountants. Findings revealed that an excessive workload among auditors leads to increased stress, which in turn contributes to dysfunctional behavior and a decline in their professional competence.

Hwang and Hong (2022) investigated the relationship between auditors' workload and audit quality in the context of audit hour budget pressure, using evidence from the Korean audit market. Their final sample comprised 2,299 firm-year observations from 1,217 unique firms listed on Korea’s two

major equity markets, the Korea Composite Stock Price Index (KOSPI) and the Korea Securities Dealers Automated Quotations (KOSDAQ), during 2015 and 2016. The study found that auditor workload negatively impacts audit quality, but only when actual audit hours exceed the budgeted hours. This supports the idea that increased stress and burnout from excessive audit hours under budget constraints lead auditors to engage in behaviors that compromise audit quality (Hwang & Hong, 2022).

2.3 Research Gaps

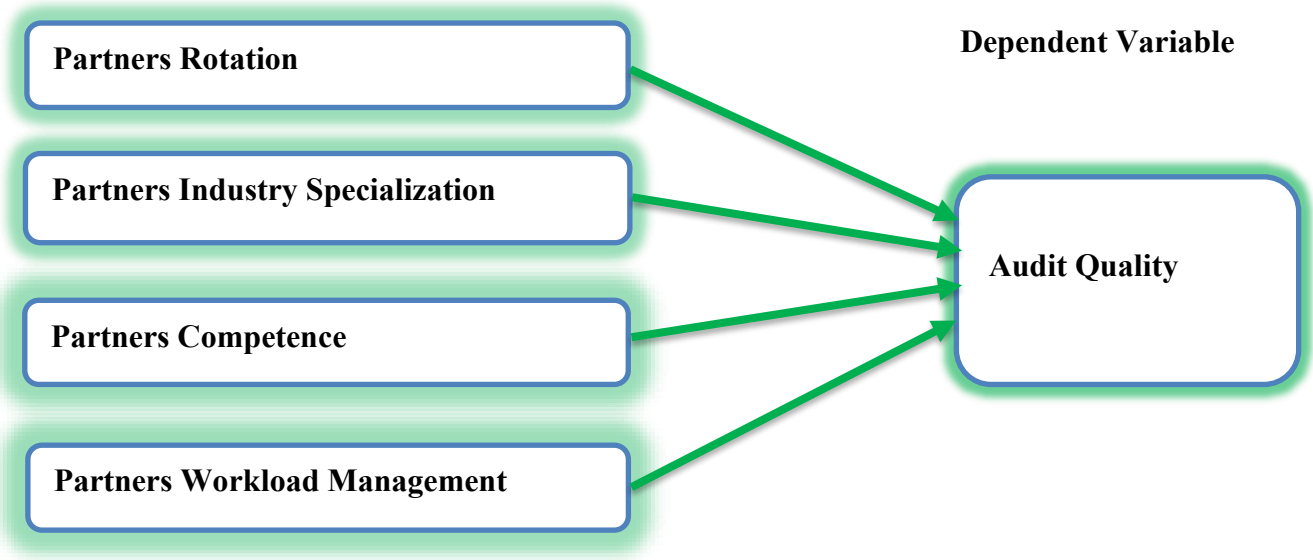
Despite existing studies examining the impact of partner-related factors—such as rotation, industry specialization, collaboration, and workload management—on audit quality, findings remain inconsistent. Moreover, there is a significant lack of empirical research within the Ethiopian auditing context, where the profession is still maturing and dominated by sole practitioners. These practitioners often face resource constraints, limited specialization, and heavy workloads, all of which may compromise audit quality. As Ethiopia moves toward establishing a capital market, the demand for transparent, high-quality financial reporting intensifies. Therefore, it is essential to explore how partner-related factors—such as rotation, industry specialization, collaboration, and workload management influence audit quality in Addis Ababa, Ethiopia.

2.4 Conceptual Framework

A conceptual framework explains, either graphically or in narrative form, the main things to be studied—the key factors, variables, or constructs—and the presumed interrelationships among them. Frameworks can be simple or elaborate, commonsensical or theory driven, descriptive or causal (Miles A., Huberman M., Saldaña J., 1994).

In this study, the relationship between dependent and independent variables is demonstrated conceptually in the below diagram.

Figure 2.1: Conceptual Framework



Source: Adopted from Suhayati and Dilyard (2024), Dekeyser et al. (2023), Akib and Anto (2021) and Mnif and Cherif (2021).

CHAPTER THREE

3. Research Methodology

This chapter presents the research methodology adopted for the study. It details the study area, research design and approach, data types and sources, sampling procedures, data collection instruments, and analytical techniques employed. Furthermore, it discusses the ethical considerations observed to ensure the integrity and validity of the research process.

3.1 Research Design and Approach

3.1.1 Research Design

The study adopted a descriptive explanatory survey research design. Descriptive research is preferred as it is effective in detailing the effect of partners rotation, partners industry specialization, partners competence and partners workload management on audit quality. Explanatory research design was adopted as it is suitable for explaining the influence of independent variables (partners rotation, partners industry specialization, partners competence and partners workload management) on the dependent variable (audit quality).

3.1.2 Research Approach

The study adopted a quantitative research approach to analyze the effect of partnership attributes such as partners rotation, partners industry specialization, partners competence and partners workload management on audit quality in private audit firms in Addis Ababa. This approach is appropriate for examining the relationships and effects of specific partnership attributes such as partners rotation, industry specialization, competence, and workload management on audit quality, enabling the researcher to draw objective, generalizable conclusions within the context of private audit firms in Addis Ababa.

3.2 Population and Sampling Technique

Currently there are 224 private audit firms in Ethiopia. 176 audit firms are established in Addis Ababa and the rest 48 audit firms are established out-side Addis Ababa. Form total private audit firms operating in Addis Ababa, 22 audit firms are established as a partnership and the rest 154 are practicing as a sole proprietorship.

The targeted population for this study were partners, principals and audit managers of private audit firms currently practicing in Addis Ababa, Ethiopia. The total of 176 private audit firms established in Addis Ababa and registered at Accounting and Auditing Board of Ethiopia (AABE) constitute the population of this study.

The study used simple random sampling as the researcher plans to incorporate samples from all private audit firms currently practicing in Addis Ababa. Every member of the population has an equal chance of being selected.

The sample size for collecting quantitative data for this research was determined using Cochran's (1977) formula (Bartlett E., Kotrlik W., Higgins C., 2001). It is calculated as follows: n = (N/(1+N (e2)), where, n= sample size, N= Population size, and e= the margin of error. Then at 5% significance level, the total sample size n = (176/(1+176 (0.0025)) is approximately equal to 122. The choice of 5% significance level in the sample size calculation is justified because it aligns with common statistical practice, provides a 95% confidence level, maintains an acceptable margin of error, and ensures practical feasibility in conducting the study.

Accordingly, 122 respondents from private audit firms were contacted and sent questionnaires. Of these, 110 completed questionnaires were returned, representing a response rate of 90.16%, and were used for the study.

3.3 Types and Sources of Data

The study used primary cross-sectional data collected from partners, principals and audit managers from private audit firms in Addis Ababa.

3.4 Methods of Data Collection

Primary data was collected using a well-structured, close-ended questionnaire designed with an ordinal scale of measurement, tailored to the context of the auditing industry. The items were measured using a 5-point Likert scale, where 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree. A higher score indicates a stronger perception of the viability of determinants of external audit quality, while a lower score suggests a weaker perception of their adequacy.

3.5 Reliability and Validity

Reliabilty of Data

A pilot test of the instrument was conducted with a sample of 30 instruments within the target population. The participants' responses were scored, and the reliability of the questionnaire was evaluated using Cronbach's Alpha. The questionnaire consists of 33 items, as detailed in the table below. The analysis yielded a Cronbach's Alpha value of 0.836, indicating a high level of reliability.

Table 3.1: Cronbach's Alpha

Case Processing Summary

		N	%
Cases	Valid	30	100.0
	Excluded[a]	0	.0
	Total	30	100.0

Reliability Statistics

Cronbach's Alpha	N of Items
.836	5

Source: IBM SPSS Statistics 20 (2025)

Validity fo Data

Validity of the data was assessed using Pearson correlation analysis, where the correlation coefficients of each questionnaire item were compared against the critical value from the Pearson correlation table at a 5% significance level for a sample size of 30 respondents. The results indicated that all items met the required threshold, confirming the validity of the data.

3.6 Methods of Data Analysis

The collected data will be analyzed and interpreted to provide meaningful information and statements. The analysis will be conducted in accordance with the nature of the data.

Descriptive Analysis: Descriptive statistical results are presented using frequency distributions and percentages to provide a summarized overview of the data. This included computation of means and standard deviations for demographic data and both independent and dependent variables in the study.

Pearson Correlation Analysis: Pearson's correlation coefficient was employed to determine the relationships between the factors influencing audit quality, such as audit partners rotation, audit

partners industry specialization, partners competence and audit partner workload management (independent variables), and audit quality (dependent variable).

Regression Analysis: Multiple regression analysis was applied to evaluate the effects of partners rotation, industry specialization, partners competence and workload management (independent variables) on audit quality (dependent variable).

Model Specification

$$Y=B0+B1X1+B2X2+B3X3+B4X4+e$$

Y=Audit quality

B0, B1, B2, B3, B4 are parameters

X1=Partners Rotation

X2=Partners Industry Specialization

X3=Partners Competence

X4=Partners Workload Management

e= Error term

3.7 Statistical Assumptions Test

The study conducted diagnostic tests to evaluate the validity and robustness of the regression model and to ensure that the results fell within acceptable statistical parameters for inference. Specifically, the study assessed key assumptions underlying the regression analysis, including reliability, linearity, autocorrelation, multicollinearity, and heteroscedasticity of the study variables. These tests were essential to confirm the appropriateness of the model and the credibility of the results.

3.8 Ethical Consideration

As suggested by Trochim (2000) and Sekaran (2006), the researcher ensured strict adherence to key ethical principles. Participation in the study was voluntary, and data were collected with the informed consent of each respondent. The purpose of the research was clearly explained, and all information provided was treated with strict confidentiality. Additionally, the researcher avoided any misrepresentation or distortion of the data collected.

CHAPTER FOUR

4. Data Presentation and Analysis

In line with the research questions and objectives of this study, this chapter presents the findings based on the adopted research design. It includes a discussion of the respondents' response rate, the instrument used to assess the reliability of the survey questions, and descriptive statistics for all variables considered in the study. Additionally, the chapter details the results of correlation and regression analysis, highlighting the relationships between independent and dependent variables based on the signs and values of the regression parameters. These analyses were conducted using SPSS software. As shown in Table 4.1, a total of 122 questionnaires were distributed, of which 110 were properly completed and returned, resulting in a response rate of 90.16%. The data from these responses were used for the analysis.

4.1 Response Rate

A response rate is the proportion of individuals who received the questionnaire and actually completed and returned it. It is typically expressed as a percentage and is a key metric for evaluating the success and representativeness of survey-based research.

Table 4.1: Response Rate

Questionnaires	Respondents	Percentages
Number of distributed questionnaires	122	100.00%
Number of returned questionnaires	110	90.16%
Number of non-returned questionnaires	12	9.84%

Source: IBM SPSS Statistics 20 (2025)

4.2 Descriptive Statistics

Descriptive analysis involves a series of procedures used to collect, organize, measure, summarize, and interpret systematically obtained quantitative data.

4.2.1 Demographic Characteristics

A demographic analysis was conducted to provide a detailed overview of the respondents' characteristics. Specifically, this section examines the distribution of respondents by firm structure

they are working, educational background, years of work experience, number of engagements handled in one year, and current roles within audit firms.

Table 4.2: Demographic Characteristics

Demographic variables	Description	Frequency	Percentage
Firm structure	Sole Practitioner	75	68.20%
	Audit Partnership	35	31.80%
	Total	110	100.00%
Current position/ role	Audit Principal	44	40.00%
	Audit Partner	27	24.55%
	Audit Manager	39	35.45%
	Total	110	100.00%
Years of experience	Less than 5 years	0	0.00%
	5-10 year	38	34.55%
	10-20 years	55	50.00%
	More than 20 years	17	15.45%
	Total	110	100.00%
Highest level of education/ professional qualification	ACCA/CPA	99	90.00%
	MSc	10	9.09%
	B. A	1	0.91%
	Total	110	100.00%
Audit engagement handled per year	Less than 10	5	4.55%
	10-20	40	36.36%
	20-30	20	18.18%
	More than 30	45	40.91%
	Total	110	100.00%

Source: IBM SPSS Statistics 20 (2025)

The demographic profile of the 110 respondents provides valuable insight into the composition and professional background of audit practitioners in the sample. The demographic data reflects a well-

experienced and professionally qualified sample of auditors, offering valuable insights into the structure and capacity of audit professionals. The majority (68.20%) operate as sole practitioners, while the rest are part of audit partnerships (31.80%), indicating sole paractitioners dominate in auditing industry. In terms of roles, Audit Principals (40%) and Audit Managers (35.45%) form the majority, with Audit Partners comprising 24.55%, suggesting that mid- to senior-level professionals dominate the field.

Experience levels are notably high, with no participants having less than five years of experience. The largest group (50%) has 10–20 years of experience, while 34.55% fall within the 5–10 year range, and 15.45% have over 20 years. This suggests a mature and knowledgeable workforce. Additionally, 90% of respondents hold professional qualifications (ACCA/CPA), underlining a strong commitment to professional standards, with minimal reliance on academic degrees alone.

Regarding workload, the data reveals that 40.91% of auditors handle more than 30 engagements per year, while 36.36% manage between 10 and 20. The remaining respondents (18.18%) and (4.55%) represent audits managed between 20-30 and less than 10 audits annually respectively. This high level of activity reflects both demand and competence in managing multiple audits annually. Overall, the demographic profile indicates a highly skilled, experienced, and actively engaged audit profession capable of delivering consistent and credible audit services.

4.2.2 Descriptive Statistics on Research Variables

Descriptive analysis was employed to explore and present factual insights into auditors' perceptions regarding key factors influencing audit quality within private audit firms. The analysis focused on five key indicators, four independent variables and one dependent variable, representing core dimensions of external audit quality. These indicators include audit partner rotation, industry specialization, professional competence, and workload management. This section highlights how respondents perceived and evaluated each of these variables. Participants were asked to express their level of agreement with a series of statements related to these indicators using a five-point Likert scale, where 1 represented "Strongly disagree," 2 "Disagree," 3 "Neutral," 4 "Agree," and 5 "Strongly agree." The findings offer a clear picture of prevailing opinions and levels of consensus among auditors concerning the determinants of audit quality.

The mean, often referred to as the average, is a measure of central tendency that represents the typical or central value in a set of numbers. It is calculated by adding together all the values in a dataset and then dividing the total by the number of values.

Standard deviation is used to identify variability among the data points, with its square root reflecting the variance. It serves as an indicator of how accurately the mean represents the overall dataset. A small standard deviation, in proportion to the mean, suggests that the data points are clustered closely around the mean, indicating consistency in responses. Conversely, a larger standard deviation implies greater dispersion, meaning that the data points are spread further from the mean and that the mean may not reliably represent the data. In this context, a high standard deviation reflects a wide range of opinions among respondents, while a low standard deviation indicates that responses were relatively similar and closely aligned.

4.2.2.1 Range of Interpreting Quantitative Data

The table below provides a numerical interpretation for average responses collected using a 5-point Likert scale, which is a common method in surveys for measuring agreement or disagreement with a statement.

Table 4.3: Range of Interpreting Quantitative Data

Score range	Interpretation
1.00-1.49	Strongly disagree
1.50-2.49	Disagree
2.50-3.49	Neutral
3.50-4.49	Agree
4.49-5.00	Strongly agree

Source: J. R. Lindner, N. J. Lindner (2024)

Table 4.4: Response Summary on Partners Rotation

No.	Statement	Respondents' answer levels					N	Mean	Standard deviation
		1	2	3	4	5			
		SD	D	N	A	SA			
1	Audit partner rotation enhances the auditor's independence and leads to more objective and independent audits.	0	3	7	42	58	110	4.41	0.733
2	New audit partners bring a fresh perspective to the audit process.	0	3	12	55	40	110	4.20	0.739
3	Rotation results in a more rigorous assessment of client financials.	0	3	20	66	21	110	3.95	0.696
4	New audit partners take time to understand the client's business effectively.	0	0	14	80	16	110	4.02	0.524
5	Rotating audit partners improves the effectiveness of risk assessment and audit planning.	4	9	14	60	23	110	3.81	0.981
6	Changing audit partners helps uncover previously undetected issues.	0	12	6	61	31	110	4.01	0.883

Source: IBM SPSS Statistics 20 (2025)

Based on table 4.4 above, the analysis of the responses reveals that audit partner rotation is generally viewed positively by respondents. The highest level of agreement is seen in the belief that rotation enhances auditor independence and objectivity (mean = 4.41), indicating strong confidence in its role in strengthening audit integrity. Similarly, most respondents agree that new audit partners bring fresh perspectives (mean = 4.20) and can uncover previously undetected issues (mean = 4.01). While rotation is also seen as contributing to a more rigorous assessment of financials (mean = 3.95) and effective client understanding (mean = 4.02), opinions are slightly more varied regarding its impact on risk assessment and planning (mean = 3.81), which has the highest standard deviation (0.981). This suggests that although the overall sentiment is favorable, there is some hesitation about whether all aspects of audit quality equally benefit from partner rotation.

Table 4.5: Response Summary on Partners Industry Specialization

No.	Statement	Respondents' answer levels					N	Mean	Standard deviation
		1	2	3	4	5			
		SD	D	N	A	SA			
1	Audit partners with industry specialization have a better understanding of the client's business risks which improves risk assessment and audit planning.	0	0	0	39	71	110	4.65	0.481
2	Industry specialization enhances ability to identify complex accounting issues and evaluate the appropriateness of accounting estimates and management judgements.	0	0	0	47	63	110	4.57	0.497
3	Industry-specialist audit partners are more likely to detect unusual financial patterns.	0	0	6	53	51	110	4.41	0.595
4	The industry expertise of the audit partner enhanced the efficiency of performing audits and the effectiveness of audit procedures.	0	0	6	42	62	110	4.51	0.602
5	Partnership firms provide more structured opportunities for developing industry specialization.	0	0	4	62	44	110	4.36	0.554
6	Partnership firms can better assign specialized partners to specific industries.	0	0	5	68	37	110	4.29	0.548

Source: IBM SPSS Statistics 20 (2025)

The responses clearly indicate strong agreement among participants regarding the value of industry specialization in enhancing audit quality. The highest-rated statement (mean = 4.65, SD = 0.481) reflects consensus that industry-specialized audit partners have a better understanding of client-specific risks, which improves risk assessment and audit planning. Similar high agreement is seen in the belief that specialization aids in identifying complex accounting issues (mean = 4.57) and enhances audit efficiency and effectiveness (mean = 4.51). Respondents also agree that industry experts are more likely to detect unusual financial patterns (mean = 4.41). Additionally, the data shows that partnership firms are seen as more capable of fostering and assigning industry specialization (mean = 4.36 and 4.29 respectively). Overall, the low standard deviations across all

items suggest a strong, consistent perception that industry specialization significantly contributes to audit quality, especially within structured partnership firms.

Table 4.6: Response Summary on Partners Competence

No.	Statement	Respondents' answer levels					N	Mean	Standard deviation
		1	2	3	4	5			
		SD	D	N	A	SA			
1	Competent audit partners significantly improve the quality of audit outcomes.	0	0	0	28	82	110	4.75	0.438
2	Partner competence determines the level of client confidence in the audit process.	0	0	3	47	60	110	4.52	0.554
3	Audit partners in partnership firms generally have more access to professional development resources than sole practitioners.	0	0	12	59	39	110	4.25	0.638
4	Audit firms benefit from partners collaboration, technical review and consultation that compensates for individual competence gaps.	0	0	0	43	67	110	4.61	0.490
5	Competence gaps are more easily addressed in partnership firms than in sole practitioners.	0	0	3	45	62	110	4.54	0.553
6	The structure of partnership firms allows for better quality controls, and peer reviews and consultation.	0	0	0	52	58	110	4.53	0.502

Source: IBM SPSS Statistics 20 (2025)

The analysis of the responses highlights a strong consensus among participants on the critical role of partner competence in enhancing audit quality. The highest mean score (4.75, SD = 0.438) indicates nearly unanimous agreement that competent audit partners significantly improve audit outcomes. Similarly, respondents strongly believe that competence influences client confidence (mean = 4.52) and that partnership firms offer structural advantages, such as access to professional development (mean = 4.25), collaboration, and technical consultation (mean = 4.61). Furthermore, respondents agree that partnership firms are better equipped to address competence gaps (mean = 4.54) and implement quality control measures, peer reviews, and consultations (mean = 4.53). The consistently high means and low standard deviations across all items underscore a widely shared

perception that both individual competence and the collaborative environment in partnership firms play a crucial role in ensuring high audit quality.

Table 4.7: Response Summary on Partners Workload Management

No.	Statement	Respondents' answer levels					N	Mean	Standard deviation
		1	2	3	4	5			
		SD	D	N	A	SA			
1	Workload pressure negatively affects the ability to exercise professional judgment.	0	2	9	61	38	110	4.23	0.673
2	High partner workload leads to reduced attention to audit details.	0	0	3	60	47	110	4.40	0.545
3	Partnership firms generally have better workload distribution due to team support.	0	0	8	57	45	110	4.34	0.610
4	Partnership firms can assign complex tasks to specialized staff, reducing partner burden.	0	0	23	52	35	110	4.11	0.721
5	Partnership firms are better able to distribute audit workload across multiple partners.	0	0	3	67	40	110	4.34	0.529
6	Partnership firms are better structured to maintain audit quality under high workload conditions.	0	3	8	57	42	110	4.25	0.710

Source: IBM SPSS Statistics 20 (2025)

The analysis of responses indicates strong agreement among participants that workload management significantly affects audit quality and that partnership firms offer structural advantages in mitigating workload-related challenges. Most respondents agreed that excessive workload negatively impacts professional judgment (mean = 4.23) and reduces attention to audit details (mean = 4.40), emphasizing the importance of manageable workloads for audit quality. There is also strong consensus that partnership firms facilitate better workload distribution through team support (mean = 4.34) and the ability to delegate complex tasks (mean = 4.11). Additionally, participants believe that such firms are more capable of sharing workloads across partners (mean = 4.34) and maintaining quality under pressure (mean = 4.25). The high mean values and relatively low standard deviations reflect a clear and consistent view that effective workload management, especially within partnership structures, plays a vital role in ensuring audit effectiveness.

Table 4.8: Response Summary on Audit Quality

No.	Statement	Respondents' answer levels					N	Mean	Standard deviation
		1	2	3	4	5			
		SD	D	N	A	SA			
1	Audits conducted after a partner rotation are more rigorous and with greater professional skepticism.	3	3	16	62	26	110	3.95	0.861
2	Audit partner rotation enhances compliance with auditing standards are more likely to detect material misstatements.	0	9	9	64	28	110	4.01	0.818
3	Industry specialization leads to more effective risk assessment, audit planning and execution.	0	0	0	60	50	110	4.45	0.500
4	Audit partners with industry expertise show higher professional skepticism, improving the detection of material misstatements.	0	0	6	60	44	110	4.35	0.582
5	Professional competence of the audit partner ensures compliance with auditing standards and ethical requirements.	0	0	13	57	40	110	4.25	0.652
6	Professional competence enhances risk assessment and audit planning, leading to more effective detection of material misstatements.	0	0	0	64	46	110	4.42	0.496
7	Heavy workloads negatively affect the partner's ability to maintain professional skepticism increasing the risk of missing material misstatements.	0	0	6	70	34	110	4.25	0.549
8	Effective workload management enhances delivery of audit results in a timely and efficient manner.	0	0	3	40	67	110	4.58	0.548
9	Firms with more partners demonstrate clearer and more objective communication of audit findings to audit clients.	0	6	19	52	33	110	4.02	0.835

Source: IBM SPSS Statistics 20 (2025)

The analysis reveals that respondents generally agree on the significant influence of partner rotation, industry specialization, competence, and workload management on audit quality. Most participants

believe audits following partner rotation are more rigorous (mean = 3.95) and enhance compliance with auditing standards (mean = 4.01). Industry specialization is strongly endorsed, with high agreement on its positive impact on risk assessment, planning, and execution (mean = 4.45) and on fostering professional skepticism (mean = 4.35). Competence is also regarded as essential for ensuring adherence to standards (mean = 4.25) and for improving risk assessment and detection of misstatements (mean = 4.42). Furthermore, heavy workloads are acknowledged as a threat to professional skepticism (mean = 4.25), while effective workload management is seen as enhancing timely and efficient audit delivery (mean = 4.58). Lastly, firms with more partners are perceived to communicate findings more clearly (mean = 4.02). These findings emphasize the interconnected role of partner attributes and firm structure in enhancing audit effectiveness.

4.3 Inferential Analysis

4.3.1 Correlation Analysis

Correlation analysis focuses on determining whether a statistically significant relationship exists between two variables (Field, 2005). It is commonly employed to quantify both the strength and direction of a linear association between variables. In this study, Pearson's correlation coefficient is used to examine the relationship between the determinants of external audit quality namely partner rotation, industry specialization, competence, and workload management and overall audit quality. The Pearson correlation coefficient (r) ranges from -1 to +1. A value closer to +1 indicates a strong positive correlation, where an increase in one variable is associated with an increase in the other. Conversely, a value closer to -1 indicates a strong negative correlation, where an increase in one variable corresponds with a decrease in the other. A value near 0 suggests no linear relationship between the variables.

Table 4.9: Correlation Analysis

Correlations		
Variable		Audit quality
Partners rotation	Pearson Correlation	.663
	Sig. (2-tailed)	.000
	N	110
Partners industry specialization	Pearson Correlation	.738**
	Sig. (2-tailed)	.000
	N	110
Partners competence	Pearson Correlation	.757**
	Sig. (2-tailed)	.000
	N	110
Partners workload management	Pearson Correlation	.857**
	Sig. (2-tailed)	.000
	N	110
Audit quality	Pearson Correlation	1**
	Sig. (2-tailed)	
	N	110

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

Source: IBM SPSS Statistics 20 (2025)

The correlation analysis reveals the strength and direction of relationships between several independent variables, partners rotation, industry specialization, competence, and workload management and the dependent variable, audit quality. All correlations are statistically significant

at the 0.001 level, indicating strong and meaningful relationships with audit quality based on a sample size of 110.

Rotation shows a positive correlation with audit quality (r = .663), suggesting that periodic auditor rotation is moderately associated with improved audit outcomes. This may be attributed to the benefits of reducing long-term familiarity between auditors and clients, which can enhance objectivity and independence. While the correlation is not as high as the others, it still supports the idea that rotation plays a role in ensuring fresh perspectives and limiting threats of overfamiliarity.

Industry specialization has a stronger correlation with audit quality (r = .738), indicating that auditors who have expertise and experience within a specific industry are more likely to deliver higher-quality audits. This relationship underscores the value of contextual knowledge in understanding complex financial transactions, regulatory environments, and industry-specific risks, which can significantly enhance audit effectiveness.

Competence demonstrates an even stronger correlation with audit quality (r = .757), emphasizing that auditor skills, qualifications, and professional judgment are critical determinants of audit performance. This finding supports the assertion that competent auditors are better equipped to identify material misstatements, apply auditing standards effectively, and provide reliable assurance to stakeholders.

The strongest correlation is observed between workload management and audit quality (r = .857), suggesting a very high positive relationship. This result implies that appropriate workload management is essential for maintaining high audit standards. Excessive workload can lead to fatigue, errors, or artificial audit procedures, while balanced workload distribution allows auditors to dedicate sufficient time and attention to critical audit tasks.

Overall, all four independent variables are positively and significantly correlated with audit quality, with workload and competence showing the strongest relationships. These findings highlight the importance of practicing with partners in audit firms, including effective partner rotation, industry-focused training, competence development, and workload management, to enhance audit quality.

4.4 Parametric Statistical Assumptions

4.4.1 Normality

The study assessed normality using numerical methods by examining the skewness and kurtosis values of the variables related to audit quality. Additionally, histogram and scatter plot diagrams were used to check the normality of data (see Annex III, Figure 4.1). According to George D., Mallery P. (2008), values of skewness value between -1 and +1 and kurtosis value between -2 and +2 indicate acceptable normality. As shown in Table 4.10, all measured constructs, partner rotation, partner industry specialization, partner competence, and partner workload management, had skewness and kurtosis values within this acceptable range, suggesting that these variables are normally distributed. Audit quality also exhibited skewness and kurtosis values within the normal range, further confirming the assumption of normality.

Table 4.10: Summary of Skewness and Kurtosis Statistics

	N	Skewness		Kurtosis	
	N	Statistic	Std. Error	Statistic	Std. Error
Partners rotation	110	-0.702	0.230	0.405	0.457
Partners industry specialization	110	-0.371	0.230	-0.575	0.457
Partners competence	110	-0.252	0.230	-1.318	0.457
Partners workload management	110	-0.467	0.230	0.445	0.457
Audit quality	110	-0.359	0.230	0.177	0.457

Source: IBM SPSS Statistics 20 (2025)

Partners rotation

The skewness for rotation is -0.702, indicating a slight negative skewness, meaning the distribution is somewhat left-tailed. The kurtosis value of 0.405 suggests a distribution that is slightly more peaked than normal but still within acceptable limits. Both values fall within the ±1 range, suggesting that the distribution of the rotation variable approximates normality and does not significantly deviate from a normal distribution.

Partners industry specialization

Industry specialization has a skewness of -0.371, which indicates a mild leftward skew, and a kurtosis of -0.575, implying a slightly flatter distribution than the normal distribution. Both figures fall within acceptable bounds for normality, suggesting that the data for this variable is fairly symmetrical and does not exhibit significant deviations from a normal distribution.

Partners competence

The competence variable shows a skewness of -0.252, indicating a nearly symmetrical distribution with a very slight left skew. The kurtosis is -1.318, which is still within acceptable limits and does not exhibit significant deviations from a normal distribution.

Partners workload management

Workload has a skewness of -0.467 and a kurtosis of 0.445. The skewness value suggests a modest leftward skew, and the kurtosis indicates a slightly more peaked distribution. Both values are comfortably within the acceptable range for normality, indicating that the workload data is approximately normally distributed and well-suited for parametric statistical analysis.

Audit quality

The audit quality variable exhibits a skewness of -0.359, showing a mild negative skew, and a kurtosis of 0.177, indicating a distribution very close to normal. These values suggest that the data for audit quality is nearly symmetrical and follows a normal distribution pattern.

4.4.2 Linearity

The study suggests a linear association between audit quality and several key aspects of external audit performance namely, partner rotation, industry specialization, competence, and workload management. This implies that any variation in these independent variables is presumed to lead to a proportional change in audit quality. As outlined by Hair F., William C., Barry J., Rolph E. (2010), a linear relationship is typically reflected when scatter plot data points align closely along a straight line, as opposed to forming a curved pattern. The scatter plots produced in this study (see Annex III, Figure 4.3) display a generally linear trend, with no evident deviations suggesting non-linearity. Hence, the assumption of linearity appears to hold.

4.4.3 Autocorrelation

The Durbin-Watson test is a diagnostic tool used to assess whether the residuals in a regression model are autocorrelated, essentially testing the assumption that errors are independent. The test statistic ranges from 0 to 4, where a value of 2 indicates no autocorrelation. Values less than 2 suggest a positive correlation between consecutive residuals, while values greater than 2 point to a negative correlation. It's important to note that the Durbin-Watson statistic can be affected by factors such as the number of predictors in the model and the sample size, which can influence its interpretation (Field, 2009).

Field (2009) cautions that Durbin-Watson values falling below 1 or above 3 are generally problematic and may signal significant autocorrelation. In this study, the Durbin-Watson statistic was 2.184, which comfortably falls within the recommended range. This suggests that the residuals are likely independent and that the assumption of no autocorrelation is reasonably upheld.

4.11: Durbin-Watson

Durbin-Watson
2.184

Source: IBM SPSS Statistics 20 (2025)

4.4.4 Multicollinearity

Multicollinearity refers to the extent to which a variable can be explained by the other variables in the analysis. As multicollinearity increases, it complicates the interpretation of the variate because it is more difficult to ascertain the effect of any single variable, owing to their interrelationships Hair et. al. (2010). It is a condition in regression analysis where two or more independent variables are highly correlated, which can undermine the reliability and clarity of the model's estimates. When predictors are strongly interrelated, they tend to provide overlapping information, making it difficult to determine the unique contribution of each variable. Although such variables may jointly explain a significant amount of variance in the dependent variable, their individual effects may appear statistically weak or misleading.

In this study, multicollinearity was examined using Tolerance and Variance Inflation Factor (VIF) statistics, as presented in Table 4.12. Tolerance measures the extent to which a predictor is independent of the other predictors in the model, with lower values indicating greater shared variance. Very low tolerance values (typically below 0.1) are a warning sign of multicollinearity and high VIF values (generally above 10) also signal potential issues (Field, 2009). In this study, both Tolerance and VIF values for all variables were within acceptable ranges which suggest that independent variables are not correlated each other.

Table 4.12: Tolerance and Variance Inflation Factor (VIF)

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
	Rotation	.668	1.497
	Industry specialization	.292	3.427
	Competence	.254	3.931
	Workload	.379	2.640

Source: IBM SPSS Statistics 20 (2025)

4.4.5 Heteroscedasticity

Heteroscedasticity refers to the condition in which the variance of the residuals (errors) in a regression model is not constant across all levels of the independent variables. This violates one of the key assumptions of ordinary least squares (OLS) regression, which assumes homoscedasticity, or constant variance of errors. When heteroscedasticity is present, it can lead to inefficient estimates and biased standard errors, which in turn may result in misleading significance tests and confidence intervals.

In the context of this study, assessing heteroscedasticity is essential to ensure the validity of the regression results. The study used examination of a scatter plot of the standardized residuals against the predicted values. If the residuals are randomly and evenly dispersed (i.e., form a horizontal band), the assumption of homoscedasticity is likely met. However, if the plot shows patterns such as a funnel shape (widening or narrowing spread), this suggests heteroscedasticity.

The scatter plot produced in this study (see Annex III, Figure 4.2) display a randomly and evenly dispersed residuals which show the assumption of homoscedasticity met.

4.5 Multiple Regression Analysis

Multiple regression analysis is used to examine the impact of various factors—such as partners rotation, partners industry specialization, partners competence and partners workload management on audit quality. This method is appropriate because it allows for the assessment of the linear relationship between a dependent variable (audit quality) and multiple independent variables. In this context, the dependent variable is regressed against the independent variables to determine the extent and direction of their influence.

Before presenting the results in table form, it is useful to briefly discuss the interpretation of key statistical outputs:

- **Coefficient (β) Values**: These indicate the direction and strength of the relationship between each independent variable and the dependent variable. A positive coefficient suggests a positive relationship, meaning that as the independent variable increases, the dependent variable also increases. Conversely, a negative coefficient implies a negative relationship.

- **R-Square (R^2)**: Also known as the coefficient of determination, R-square measures how well the independent variables explain the variation in the dependent variable. A higher R-square value indicates a stronger explanatory power of the model.
- **Constant (Intercept)**: The constant represents the expected value of the dependent variable when all independent variables are zero. While it does not directly influence the relationships among variables, it helps define the starting point of the regression line.
- **Probability (p-value) and t-statistics**: Both metrics are used to test the statistical significance of the regression coefficients. A low p-value (typically less than 0.05) indicates that the independent variable has a significant impact on the dependent variable. Either the p-value or t-statistic can be used to assess significance, as they provide consistent conclusions.

4.6 Discussion of Results

Table 4.13: Regression Model Summary

Model Summary[b]										
Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin Watson
1	.904[a]	.818	.811	1.877	.818	117.895	4	105[a]	.000	2.184
a. Predictors: (Constant), Partners Rotation, Industry specialization, Competence and Workload Management										
b. Dependent Variable: Audit quality										

Source: IBM SPSS Statistics 20 (2025)

This model summary provides key insights into the overall performance and explanatory power of the regression model predicting audit quality based on four independent variables: partners rotation, industry specialization, competence and workload management. The R value of 0.904 indicates a very strong positive correlation between the observed and predicted values of audit quality. The R^2 value of 0.818 suggests that approximately 81.8% of the variance in audit quality is explained by the model, which is a high level of explanatory power. The adjusted R^2 of 0.811 accounts for the number of predictors and confirms that the model remains robust after adjusting for potential overfitting.

The standard error of the estimate (1.877) indicates the average distance between the actual and predicted values of audit quality, with lower values suggesting better model accuracy. The F-statistic of 117.895 with a significance level of 0.001 confirms that the model as a whole is statistically significant, meaning the independent variables collectively contribute to predicting audit quality. The Durbin-Watson value of 2.184 suggests that there is no significant autocorrelation in the residuals, satisfying one of the key assumptions of linear regression. Overall, the model appears to be statistically sound and effective in explaining variations in audit quality.

Table 4.14: ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1662.171	4	415.543	117.895	.000[b]
	Residual	370.093	105	3.525		
	Total	2032.264	109			

Source: IBM SPSS Statistics 20 (2025)

The ANOVA (Analysis of Variance) table summarizes the significance of the regression model used to predict audit quality based on the independent variables: partners rotation, industry specialization, competence and workload management. The regression sum of squares is 1662.171, which represents the portion of the total variance in audit quality explained by the model. The residual sum of squares is 370.093, indicating the portion of variance not explained by the model. The total sum of squares is 2032.264, representing the overall variability in audit quality.

The model has 4 degrees of freedom (df) for regression and 105 for residuals, which corresponds to the number of predictors and the sample size minus the number of estimated parameters. The mean square for regression is 415.543, and the mean square for residuals is 3.525. The F-statistic of 117.895 shows how much more variance is explained by the model compared to the variance left unexplained (error). The p-value (Sig.) of .0001 indicates that the model is highly statistically significant, meaning the independent variables collectively have a strong influence on audit quality.

This supports the validity and usefulness of the regression model in explaining variations in the dependent variable.

Table 4.15: Regression Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.521	2.148		-1.174	.243
	Partners rotation	.307	.066	.239	4.687	.000
	Partners industry specialization	.273	.137	.153	1.990	.049
	Partners competence	.265	.150	.146	1.767	.080
	Partners workload management	.736	.098	.509	7.520	.000

a. Dependent Variable: Audit quality

Source: IBM SPSS Statistics 20 (2025)

Regression Equation

Y=B0+B1X1+B2X2+B3X3+B4X4+e

AQT= -2.521+.307RTN+.273IND+.265COM+.736WKL

AQT=Audit quality

B0, B1, B2, B3, B4 are parameters

RTN=Partners Rotation

IND=Partners Industry Specialization

COM=Partners Competence

WKL=Partners Workload Management

e= Error term

The regression coefficients table provides detailed information about the influence of each independent variable, partners rotation, industry specialization, competence, and workload management on the dependent variable, audit quality. Both unstandardized and standardized coefficients are reported to show the raw and relative impact of each predictor in the model.

Among the independent variables, partners' workload management has the strongest effect on audit quality, with an unstandardized coefficient (B) of 0.736, a standardized beta of 0.509, and a t-value of 7.520. The significance level ($p = .001$) indicates a highly statistically significant contribution, meaning better workload management by audit partners is strongly associated with higher audit quality. This result aligns with previous research by Mnif (2021), who reported that heavier workloads negatively affect audit quality, and Suhayati (2022), who found that excessive workloads heighten stress levels among audit partners, leading to dysfunctional behaviors and diminished professional competence.

Partners' rotation also shows a significant positive effect, with $B = 0.307$, $\beta = 0.239$, and $t = 4.687$ ($p = .001$). This implies that regular rotation of audit partners contributes positively to audit quality, likely due to increased objectivity and reduced familiarity threats. The result supports the findings of Ndagano (2024), who noted that prolonged audit partner tenure can lead to familiarity threats that compromise financial statement quality, and Keneth et al. (2021), who found that shorter audit partner tenures contribute to greater auditor independence and improved professional judgment.

Industry specialization has a moderate effect ($B = 0.273$, $\beta = 0.153$) and is statistically significant at the 5% level ($p = .049$). This indicates that partners with industry-specific expertise tend to produce higher-quality audits, though the effect size is smaller compared to workload and rotation. Supporting this, Desai et al. (2024) found that cumulative industry experience enhances audit partners expertise, leading to better audit outcomes. Similarly, Dekeyser et al. (2023) reported that audit partners with broader industry exposure may require more audit adjustments than those with narrower, more focused industry experience. Mnif and Cherif (2023) also observed that industry-specialist audit partners possess deeper knowledge, allowing them to complete audits more effectively compared to non-specialists.

Partners' competence has a positive but not statistically significant effect ($B = 0.265$, $\beta = 0.146$, $p = .080$). Although the direction of influence aligns with expectations, greater competence likely leads

to better audits, the lack of significance suggests that this relationship is weaker or possibly influenced by other variables in the model. This contrasts with findings from Akib and Anto (2021), who reported that both professional skills and audit partners competence significantly enhance audit quality. Similarly, Alsaeedi and Kamayabi (2023) found that audit partners experience and competence positively impact audit quality, reinforcing the theoretical expectation that competence plays a vital role in effective auditing.

In conclusion, the regression results show that workload management and partner rotation are the most significant and influential predictors of audit quality, followed by industry specialization, while competence, though positively related, does not show strong statistical significance in this model.

4.7 Interpretation in Terms of Research Hypotheses

The regression coefficients provide valuable insight into the relationship between audit quality and various dimensions of external audit practices. These findings can be interpreted in light of the four research hypotheses (H1:1 to H1:4), which assess the impact of audit partners' characteristics on audit quality.

H1:1 – Audit partners' rotation has a positive and significant impact on audit quality

This hypothesis is supported by the data. The coefficient for partners' rotation is 0.307 with a t-value of 4.687 and a significance level (p-value) of 0.001, indicating a strong positive and statistically significant relationship with audit quality. This implies that rotating audit partners helps enhance audit quality, likely by reducing familiarity threats and maintaining professional skepticism. The result was consistent with Suhayati and Dilyard (2024), who identified auditor rotation positively influences both auditor independence and performance.

H1:2 – Audit partners' industry specialization has a positive and significant impact on audit quality

This hypothesis is also supported, though the effect is moderate. The coefficient for industry specialization is 0.273, with a t-value of 1.990 and a p-value of 0.049, which is just below the 0.05 significance threshold. This suggests that auditors with industry-specific knowledge are better equipped to identify risks and apply relevant standards, thereby improving audit quality. The result

was consistent with Desai et al. (2024), who found that cumulative industry expertise, based on the total number of clients audited in a specific industry, enhances audit quality.

H1:3 – Audit partners' competence has a positive and significant impact on audit quality

This hypothesis is partially supported. The coefficient for competence is 0.265, and the standardized beta is 0.146, suggesting a positive relationship with audit quality. However, the t-value is 1.767 and the p-value is 0.080, which is above the conventional 0.05 threshold. Although competence appears to contribute positively to audit quality, its effect is not statistically significant at the 5% level, possibly due to overlapping effects with other predictors or sample variability. The result was not consistent with Akib and Anto (2021), who identified that both professional skills and auditor competence significantly influence audit quality, even if there was positive strong relationship between competence and audit quality.

H1:4 – Audit partners' workload management has a positive and significant impact on audit quality

This hypothesis is strongly supported. Workload management has the highest unstandardized coefficient (0.736) and standardized beta (0.509) among all predictors. The t-value of 7.520 and p-value of 0.001 indicate a highly significant and substantial positive effect on audit quality. Efficient workload management likely allows audit partners to allocate adequate time and resources to audits, improving the depth and accuracy of their work. The result was consistent with Mnif and Cherif (2021), who found that higher workload, irrespective of gender, is linked to increased discretionary accruals, supporting the "busyness hypothesis" that excessive client assignments lower auditors' effort and audit quality.

Overall, the findings support three of the four hypotheses (H1:1, H1:2, and H1:4) with statistically significant positive effects on audit quality. H1:3 shows a positive trend but lacks statistical significance. The results highlight the critical importance of managing partner workload and implementing partner rotation policies to maintain and enhance audit quality, while industry specialization also plays a meaningful role.

Table 4.16: Hypothesis Summary

Hypothesis	Analytical Model	Outcome	Reason
Partners Rotation has a positive and significant effect on Audit Quality	Regression analysis	Supported directional hypothesis	$\beta = 0.307$; $P < 0.05$
Partners Industry Specialization has a positive and significant effect on Audit Quality	Regression analysis	Supported directional hypothesis	$\beta = 0.273$; $P < 0.05$
Partners Competence has a positive and significant effect on Audit Quality	Regression analysis	Rejected directional hypothesis	$\beta = 0.265$; $P > 0.05$
Partners Workload Management has a positive and significant effect on Audit Quality	Regression analysis	Supported directional hypothesis	$\beta = 0.736$; $P < 0.05$

Source: IBM SPSS Statistics 20 (2025)

CHAPTER FIVE

5. Summary of Findings, Conclusion and Recommendation

This chapter presents a comprehensive summary of the study's key findings, highlighting the relationships between audit quality and the selected independent variables, partners rotation, industry specialization, competence, and workload management. It then draws conclusions based on the empirical results and offers practical recommendations aimed at improving audit practices. These recommendations are directed toward audit firms, regulators, and other stakeholders in the auditing profession to enhance the overall quality and reliability of financial reporting.

5.1 Summary of Findings

The study aimed to investigate the key determinants of audit quality among private audit firms in Addis Ababa, with particular focus on partner-level factors. The independent variables examined included partners rotation, industry specialization, competence, and workload management. The research employed a quantitative approach, using primary data collected from 110 respondents, and regression analysis was used to assess the relationship between these variables and audit quality.

The correlation results indicate strong and statistically significant positive relationships between each independent variable and audit quality. Partner rotation ($r = 0.663$), industry specialization ($r = 0.738$), competence ($r = 0.757$), and workload management ($r = 0.857$) all show significant correlations with audit quality at the 0.001 level.

The results of the regression model revealed significant insights into the factors that influence audit quality. The overall model demonstrated a strong explanatory power, with an R^2 of 0.818, indicating that approximately 81.8% of the variance in audit quality can be explained by the four predictor variables. The model was statistically significant ($F = 117.895$, $p < 0.001$) and satisfied key regression assumptions, including independence of errors, as confirmed by a Durbin-Watson statistic of 2.184.

Key Findings:

- Partners rotation: the study found a statistically significant and positive relationship between partners' rotation and audit quality ($\beta = 0.307$, $p = 0.001$). This supports the hypothesis that

rotating audit partners enhances audit independence and objectivity, thereby improving audit quality.

- Partners industry specialization: partners' industry specialization also showed a positive and statistically significant impact on audit quality ($\beta = 0.273$, $p = 0.049$). This suggests that having industry-specific knowledge and experience allows auditors to better understand client operations and risks, resulting in more effective audits.
- Partners competence: while partners' competence was found to have a positive coefficient ($\beta = 0.265$), it was not statistically significant at the 5% level ($p = 0.080$). This indicates that although competence contributes positively to audit quality, its standalone impact may not be strong enough without the support of other factors like specialization and workload management.
- Partners workload management: among all predictors, partners' workload management had the strongest influence on audit quality ($\beta = 0.736$, $p = 0.001$). The findings suggest that when partners are not overburdened, they are able to dedicate sufficient time and attention to audit tasks, thereby significantly improving the quality of audit outcomes.

The hypothesis testing results indicate that H1 (Partners rotation) and H2 (Partners industry specialization) are supported, H3 (Competence) is partially supported and not statistically significant, while H4 (Workload management) is strongly supported.

In summary, the study confirms that audit quality in private audit firms is significantly affected by how partner-level responsibilities and expertise are managed. Notably, workload management and partner rotation emerged as the most influential determinants, underlining the need for structural and operational reforms in audit firms to enhance performance and integrity in financial reporting.

5.2 Conclusion

The findings of this study, based on the regression analysis, provide significant insights into the determinants of audit quality with specific focus on audit partnership attributes. The regression model revealed that partners' workload management, partner's rotation, and industry specialization have a positive and statistically significant impact on audit quality. Among these, workload management emerged as the most influential factor, indicating that partners who manage their responsibilities effectively are more likely to deliver high-quality audits.

Audit partner rotation also showed a strong and significant positive relationship with audit quality, supporting the idea that periodic rotation promotes objectivity and reduces the risk of over-familiarity with clients. Meanwhile, industry specialization had a moderate but significant effect, suggesting that expertise in a particular sector enhances auditors' ability to assess client risks and apply appropriate standards more effectively.

On the other hand, while partners' competence exhibited a positive relationship with audit quality, its impact was not statistically significant at the 5% level. This may be due to overlapping effects with other predictors such as workload or specialization, or due to the difficulty in objectively measuring competence.

In sum, the model supports the conclusion that audit quality is significantly influenced by the organizational and professional characteristics of audit partners, particularly in how they manage their workload, rotate across assignments, and apply industry-specific knowledge. These results underscore the importance of well-structured audit firm practices and partner assignments to uphold the integrity and reliability of financial reporting.

5.3 Recommendations

The regression model from the study clearly highlights that partners' workload management, rotation, industry specialization, and competence all have a positive relationship with audit quality, with workload management and rotation showing strong statistical significance. These findings have critical implications for Ethiopian audit firms, the majority of which operate as sole practitioners. To improve audit quality, it is strongly recommended that more firms transition into partnership-based structures for the following reasons:

- Balanced workload distribution: the strongest predictor of audit quality in the model was workload management. Sole practitioners often face the challenge of handling excessive responsibilities alone, which can compromise audit depth and accuracy. Forming partnerships allows for task sharing, better time allocation, and improved focus on high-risk audit areas, leading to better audit outcomes.
- Enabling effective partner rotation: the study found a significant positive relationship between partner rotation and audit quality. However, rotation is practically impossible in a sole

practitioner. Partnership firms can rotate engagement responsibilities among partners, enhancing objectivity and reducing the risk of bias or over-familiarity with clients.

- Enhanced industry specialization: as the findings show, industry specialization improves audit quality. In a partnership setting, individual partners can focus on specific industries, developing deep sectoral knowledge while leveraging collective firm expertise to serve a broader client base. This is much harder for sole practitioners who must serve diverse industries with limited specialization.
- Building collective competence and mentorship: although competence was not statistically significant at the 5% level, it still positively influenced audit quality. Partnerships create an environment where knowledge sharing and mentorship are possible, helping to raise the overall competence level of the firm.
- Professional growth and sustainability: partnership firms offer better career development for junior staff, promote succession planning, and reduce dependency on a single individual. This increases firm continuity, credibility, and scalability, key factors for long-term sustainability in the profession.

Given the empirical support from the study, Ethiopian audit firms are strongly encouraged to transition toward partnership firm structures. This structure not only enhances audit quality through better resource utilization and knowledge specialization but also aligns with international best practices that promote credibility, independence, and long-term client trust. Regulatory bodies may also consider offering incentives or support mechanisms to facilitate such transitions and uplift the overall audit profession in Ethiopia.

5.4 Suggestion for Future Research

While this study provides valuable insights into the determinants of audit quality in private audit firms in Addis Ababa, it also opens several avenues for future research.

Firstly, the study focused on a limited set of variables, partner rotation, industry specialization, competence, and workload management. Future research could incorporate additional factors such as audit firm size, number of partners, audit fee, audit client size, regulatory enforcement, technological adoption and ethical standards to gain a more holistic understanding of audit quality.

Secondly, the study is geographically confined to Addis Ababa, which may limit the generalizability of the findings. Future research could expand the geographical scope to include other regions of Ethiopia.

Additionally, a comparative study between sole practitioners and partnership firms would be particularly valuable. Since the Ethiopian audit profession is predominantly composed of sole practitioners, such a study could explore how organizational structure, access to resources, and peer collaboration impact audit quality in different firm types.

Moreover, qualitative approaches involving interviews and case studies could offer deeper insights into the behavioral and contextual factors affecting audit outcomes. These future research directions would help build a more robust body of knowledge tailored to Ethiopia's evolving audit landscape.

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Annex I: Questionnaire

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Dear Sir,

I am currently pursuing MSc at Addis Ababa University in Corporate Finance - Specialty in Investment Management.

You are invited to participate in a research project which is studying how partnership structures influence audit quality in Ethiopian audit firms. The study aims to identify the role of audit partners rotation, audit partners industry specialization, audit partners competence and audit partners workload management on audit quality.

The study's insights will aid policymakers and regulatory authorities like AABE and ECMA in making informed decisions to strengthen Ethiopia's financial reporting and auditing frameworks and will help refine existing regulations and develop new policies that enhance audit quality, ensuring transparency, accountability, and investor confidence in the financial ecosystem. Moreover, the study will offer valuable recommendations for audit firms to enhance their auditing methodologies, comply with international best practices, and address challenges related to audit quality. Similarly, reporting entities will benefit from improved audit standards, leading to better financial reporting and compliance with regulatory requirements.

Your contribution to this research is very significant.

Thank you in advance for your cooperation

DIRECTION

There is no need to write your name or other identity.

Your response would be kept confidential and will be used only for academic purpose.

Please respond to the item in the questionnaire by putting a tick mark (√) inside the box.

PART ONE: DEMOGRAPHIC VARIABLE

1. What type of audit practice do you represent?

Sole Practitioner	Audit Partnership

2. Current Position

Audit Partner	Audit Principal	Audit/Assistant Audit Manager	Senior Auditor

3. How many years have you been in audit practice?

Less than 5	5-10	10-20	More than 20

4. What is your highest level of education/professional qualification?

ACCA/CPA	B. A	MSc	PhD

5. What is the average number of audit engagements you handle per year?

Less than 10	10-20	20-30	More than 30

PART TWO: DETERMINANTS OF AUDIT QUALITY

Please indicate your level of agreement (whether you agree or disagree) with each statement using the scale below as a guide: put (√) on your selection. 1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5= Strongly Agree

S. No	Statement	Scale				
	Audit Partner Rotation	**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
1	Audit partner rotation enhances the auditor's independence and leads to more objective and independent audits.					
2	New audit partners bring a fresh perspective to the audit process.					
3	Rotation results in a more rigorous assessment of client financials.					
4	New audit partners take time to understand the client's business effectively.					
5	Rotating audit partners improves the effectiveness of risk assessment and audit planning.					
6	Changing audit partners helps uncover previously undetected issues.					
	Audit Partner Industry Specialization					
1	Audit partners with industry specialization have a better					

	understanding of the client's business risks which improves risk assessment and audit planning.					
2	Industry specialization enhances ability to identify complex accounting issues and evaluate the appropriateness of accounting estimates and management judgements.					
3	Industry-specialist audit partners are more likely to detect unusual financial patterns.					
4	The industry expertise of the audit partner enhanced the efficiency of performing audits and the effectiveness of audit procedures.					
5	Partnership firms provide more structured opportunities for developing industry specialization.					
6	Partnership firms can better assign specialized partners to specific industries.					
	Audit Partner Competence					
1	Competent audit partners significantly improve the quality of audit outcomes.					
2	Partner competence determines the level of client confidence in the audit process.					

3	Audit partners in partnership firms generally have more access to professional development resources than sole practitioners.					
4	Audit firms benefit from partners collaboration, technical review and consultation that compensates for individual competence gaps.					
5	Competence gaps are more easily addressed in partnership firms than in sole practitioners.					
6	The structure of partnership firms allows for better quality controls, and peer reviews and consultation.					
	Audit Partner Workload Management					
1	Workload pressure negatively affects the ability to exercise professional judgment.					
2	High partner workload leads to reduced attention to audit details.					
3	Partnership firms generally have better workload distribution due to team support.					
4	Partnership firms can assign complex tasks to specialized staff, reducing partner burden.					

5	Partnership firms are better able to distribute audit workload across multiple partners.					
6	Partnership firms are better structured to maintain audit quality under high workload conditions.					
	Audit Quality					
1	Audits conducted after a partner rotation are more rigorous and with greater professional skepticism.					
2	Audit partner rotation enhances compliance with auditing standards are more likely to detect material misstatements.					
3	Industry specialization leads to more effective risk assessment, audit planning and execution.					
4	Audit partners with industry expertise show higher professional skepticism, improving the detection of material misstatements.					
5	Professional competence of the audit partner ensures compliance with auditing standards and ethical requirements.					
6	Professional competence enhances risk assessment and audit planning, leading to more effective detection of material misstatements.					

7	Heavy workloads negatively affect the partner's ability to maintain professional skepticism increasing the risk of missing material misstatements.					
8	Effective workload management enhances delivery of audit results in a timely and efficient manner.					
9	Firms with more partners demonstrate clearer and more objective communication of audit findings to audit clients.					

Annex II: Statistical Analysis Output

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.904[a]	.818	.811	1.877	.818	117.895	4

Model Summary[b]

Model	Change Statistics		Durbin-Watson
	df2	Sig. F Change	
1	105[a]	.000	2.184

a. Predictors: (Constant), Workload, Rotation, Industry specialization, Competence

b. Dependent Variable: Audit quality

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1662.171	4	415.543	117.895	.000[b]
	Residual	370.093	105	3.525		
	Total	2032.264	109			

a. Dependent Variable: Audit quality

b. Predictors: (Constant), Workload, Rotation, Industry specialization, Competence

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.521	2.148		-1.174	.243
	Rotation	.307	.066	.239	4.687	.000
	Industry specialization	.273	.137	.153	1.990	.049
	Competence	.265	.150	.146	1.767	.080
	Workload	.736	.098	.509	7.520	.000

Model		95.0% Confidence Interval for B		Correlations		
		Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	-6.779	1.738			
	Rotation	.177	.437	.663	.416	.195
	Industry specialization	.001	.544	.738	.191	.083
	Competence	-.032	.563	.757	.170	.074
	Workload	.542	.929	.857	.592	.313

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Rotation	.668	1.497
	Industry specialization	.292	3.427
	Competence	.254	3.931
	Workload	.379	2.640

a. Dependent Variable: Audit quality

Correlations

		Rotation	Industry specialization	Competence	Workload
Rotation	Pearson Correlation	1	.473**	.449**	.562**
	Sig. (2-tailed)		.000	.000	.000
	N	110	110	110	110
Industry specialization	Pearson Correlation	.473**	1	.831**	.688**
	Sig. (2-tailed)	.000		.000	.000
	N	110	110	110	110
Competence	Pearson Correlation	.449**	.831**	1	.741**
	Sig. (2-tailed)	.000	.000		.000
	N	110	110	110	110
Workload	Pearson Correlation	.562**	.688**	.741**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	110	110	110	110
Audit quality	Pearson Correlation	.663**	.738**	.757**	.857**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	110	110	110	110

Case Processing Summary

		N	%
Cases	Valid	30	100.0
	Excluded[a]	0	.0
	Total	30	100.0

Reliability Statistics

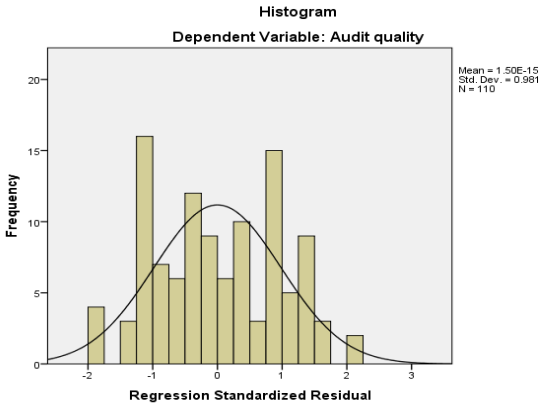
Cronbach's Alpha	N of Items
.836	5

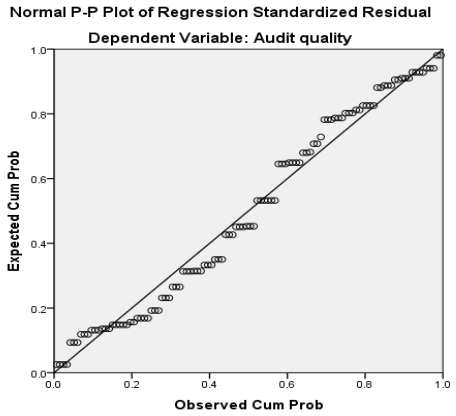
Descriptive Statistics

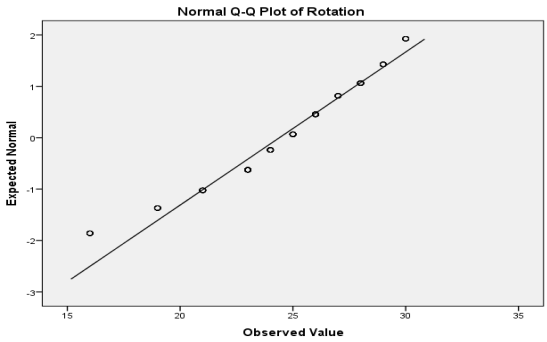
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Rotation	110	-.702	.230	.405	.457
Industry specialization	110	-.371	.230	-.575	.457
Competence	110	-.252	.230	-1.318	.457
Workload	110	-.467	.230	.445	.457
Audit quality	110	-.359	.230	.177	.457
Valid N (listwise)	110				

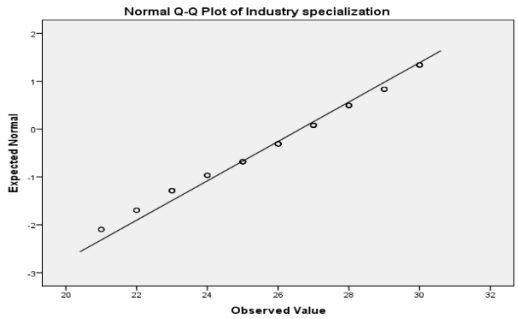
Annex III: Figures

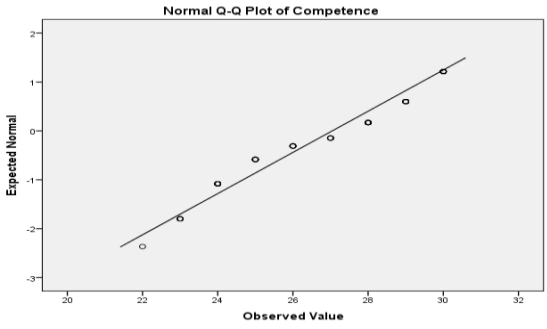
Figure 4.1: Normality Test











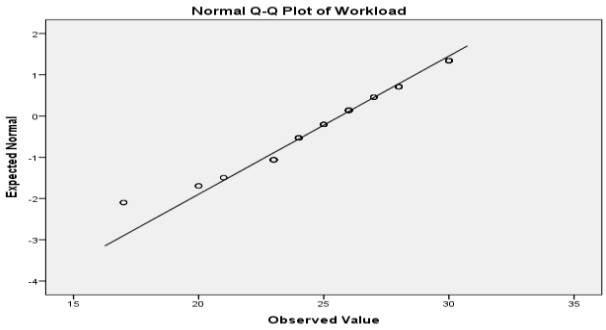


Figure 4.2: Hertoscadasticity Test

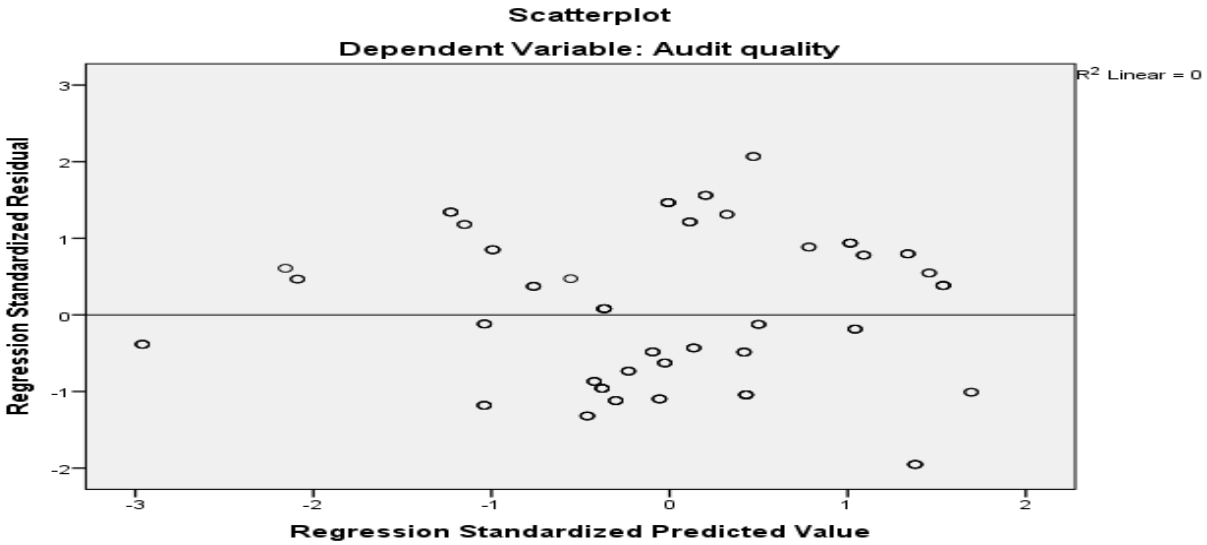


Figure 4.3: Linearity Test