



College of Business and Economics

Department of Accounting and Finance

**Implementation of Office of Federal Auditor General Recommendations in
Ethiopia: Factors for Recurring Financial Irregularities**

**A Thesis submitted to the Department of Accounting and Finance in Partial
Fulfillment of the Requirements for Master's Degree in Accounting and Finance**

BY

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Declaration

I, the undersigned, declare that this thesis is my original work, has been presented in any other university and that all sources of materials used for the thesis have been duly acknowledged.

Declared by

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Confirmed by Advisor

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Place and date of submission: Addis Ababa University, January, 2021

Certification

This is to certify that Amlake Semagne has carried out his research work on the topic entitled “Implementation of Office of Federal Auditor General recommendations in Ethiopia: Factors for Recurring Financial Irregularities”. The work is original in nature and is suitable for the submission for the reward of MSc Degree in Accounting and Finance.

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Place and date of submission: Addis Ababa University, January, 2021

ADDIS ABABA UNIVERSITY
POST GRADUATE STUDIES
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE

Implementation of Office of Federal Auditor General Recommendations in
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Abstract

The purpose of this thesis is to assess if the repeated financial irregularities of public Offices in Ethiopia in implementing recommendations by the Office of the Auditor General is caused by the nature of audit recommendation, lack of follow up and corrective measures, financial and human resource constraints, the nature of office, and other factors. The study covers the Ethiopian Geological Survey, Federal Police, and Minister of Foreign Affairs. The study employs exploratory mixed methods research approach. Under the qualitative aspect, five in-depth interviews were conducted in three offices subjected to this study; documentary analyses were also conducted. The quantitative aspect employed survey design. Survey participants were selected using purposive sampling technique and covered all heads and employees of the department of finance, and internal audit of the Ethiopian Geological Survey, Ministry of Foreign Affairs, and the Federal Police. A Survey self-administered method was employed and the response rate was 83.6 %. The main findings show that follow-up and corrective measures; financial and human resource constraints; and the nature of office, are found to be the major factors for the financial irregularities in implementing audit recommendations. It is recommended that merit-based assignment of top management with proper knowledge and skills could solve the problems that emanate from the problems associated with follow-up and corrective measures. To solve the problems arising from financial and human constraints, the government is recommended to work towards mitigating the turnover of experienced top management and employees by narrowing the salary and allowances gaps, as much as possible, among public institutions and other private employers. With regard to solving problems related to the nature of office, the government is recommended to modernize its document management system in a way that simplifies to trace any necessary documents when requested.

Key word: implementation, audit recommendation, recurring financial irregularities, public auditing, nature of recommendation, followup and corrective messures.

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List of Acronyms

BFASC	Budget and Finance Affairs Standing Committee
FDRE	Federal Democratic Republic of Ethiopia
HPR	House of People Representative
IAASB	International Auditing and Assurance Standards Board
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISA	International Standard Auditing
ISSAIs	International Standards of Supreme Audit Institutions
MoFED	Ministry of Finance and Economic Development
OFAG	Office of the Federal Auditor General of Ethiopia
PCAOB	Public Company Accounting Oversight Board
SAIs	Supreme Audit Institutions
SNNPRS	Southern Nations, Nationalities, and Peoples Regional State

Chapter One

1. Introduction

The Office of the Federal Auditor General of Ethiopia (OFAG) is the supreme audit institution that is mandated to investigate the accounts of the institutions of the federal government and make an audit report to the House of People Representative (HPRs) annually (FDRE 1995). It also supervises the federal public institutions to make sure that they implement the audit recommendations it has given to them (FDRE 2016). However, it is not the only institution with a mandate of over sighting the financial performance of these public institutions. There is a standing committee in the HPRs called Budget and Finance Affairs Standing Committee (BFASC) for which the OFAG submits its audit report for inspection (FDRE 2005).

Despite this, the grave financial mismanagement by the federal government institutions and the measures being taken to correct it has long been a topic of debate since a long time (Anberbir, Y. 2018a). In a 2016/17 fiscal year report to the HPRs or the house hereinafter, Gemechu Dubisso, the general director of the OFAG, has boldly expressed the shocking situation of the financial mismanagement of the public institutions of the federal government. He has told the house that he has been reporting that, the financial irregularities to the house for the last nine consecutive years, but without any sign of improvement on the side of these institutions or corrective legal measures by the government so far (Anberbir, Y. 2018b).

Regarding this, the members of the HPRs have been expressing their dissatisfaction with the perpetual financial irregularities of the public institutions in implementing the audit recommendations of the OFAG within due time. Some of them expressed their disappointment, when the OFAG presented its audit report to the Parliament, saying,

... sick and tired of listening to the same reports of repeated financial irregularities by federal institutions, ... we are also accountable for such continued financial irregularities, ... such reckless game has to stop, ... and we should take action (Abiye, Y. 2017).

They urged the government to take action by bringing these irresponsible institutions to the court of law to make them face justice for failing to act upon the findings and recommendations of the auditor general within the prescribed time (Abiye, Y. 2017).

Although the problem in connection to financial irregularities in implementing audit recommendations in public institutions is so serious, the researcher could not find much research on this subject in Ethiopia. However, a few studies have been conducted basically in two regions, the Oromia Regional State and the Southern Nations, Nationalities and Peoples' regional state (SNNPRS), to examine why public institutions fail to implement recommendations of the auditor general (Dugassa 2018; Gobosho 2019; Korje 2016; Tariku & Shibru 2016).

The main gap in these empirical studies is that they are limited to the two respective regions. So, there is no conclusive indication as to whether their findings would also have the same result in the cases of the federal government public institutions which are the subject of this study. In addition to this, they all focused on the general factors, while this research focuses on the factors for the repeated financial irregularities in implementing the audit recommendations by the OFAG for three consecutive years from 2016 – 2018 G.C by using a mixed research approach.

The first chapter makes an overall introduction about the study, defines the statement of the problem, broad research objective and specific research questions, significance of the study, and scope and limitation of the study.

1.1. Statement of the Problem

The primary purpose of the public auditing system is to save the public and government resources from waste and embezzlement which, in turn, is believed to promote credibility, equity, and appropriateness on the functions of the public sectors (Goodson, Mory & Lapointe 2012). Thus, the OFAG is established to achieve this purpose. Its primary mandate is to audit the financial accounts of institutions of the federal government and present its findings to the HPRs at the end of every budget year. This helps the members of the Parliament (PMs) and the wider public to know how the allocated budget was utilized and address the identified deficiencies by taking necessary corrective measures.

However, according to the assessment of the OFAG that has been repeatedly presented to the Parliament and expressed in press releases, this purpose has not been served properly. The reason for this is because the auditees are not implementing audit recommendations of the OFAG and the government is not taking any corrective measurement in return. As expressed by the auditor general of the OFAG, Mr. Gemechu Dubisso, this is not a one-time occurrence, rather, it is a

problem that has been going on for more than nine consecutive years and has never been solved (Anberbir, Y. 2018b). According to Mr. Dubisso's expression, his office has been losing its courage to continue in its function of auditing public institutions when those audited do not implement the audit recommendations and the government fails to take corrective measures (Anberbir, Y. 2018a).

So, if this problem is allowed to continue, it might reach the point where all public institutions reject the audit recommendations at all. At that point, the government also might not be able to manage the problems. That in turn might ultimately grow to the level of mistrust between the government and the public which would badly affect both the government and the people.

In this regard, the 2019 audit report of the OFAG, which has covered the audit report from 2016-2018 GC, reveals that eight federal public institutions in Addis Ababa got adverse audit opinions for three consecutive years without any improvement or corrective measures (OFAG 2019). These perpetual financial irregularities for three consecutive years without any improvement and the absence of any corrective measures in return by the government along with the knowledge gaps presented in chapter two were the reason to conduct this study.

Thus, conducting an elegant audit, successfully presenting it before the HPRs, and sending the audit report to the auditees with all the necessary details, evidence, and recommendations to be implemented does not make the OFAG effective in discharging its mandate unless those recommendations are implemented accordingly (Tariku & Shibru 2016). Therefore, the OFAG needs to have a successful mechanism that could secure a successful implementation of its audit recommendations and help to adequately support the auditees to get it implemented duly. To do so, the major factors that contribute to the repeated financial irregularities have to be identified in this research.

1.2. Broad Research Objective and Specific Research Questions

The broad objective is to assess the factors for repeated financial irregularities in federal Public Offices in Ethiopia in implementing recommendations by the Office of the Federal Auditor General. Based on this broad objective the following specific research questions (RQ) have been developed.

RQ1. How is the effect of the nature of audit recommendations on the repeated financial irregularities of the federal public offices in Ethiopia?

RQ2. How is the impact of lack of follow up and corrective measures on the repeated financial irregularities of the federal public offices in Ethiopia?

RQ3. How do the financial and human resource constraints influence the repeated financial irregularities of the federal public offices in Ethiopia?

RQ4. How is the influence of nature of office on the repeated financial irregularities of the federal public offices in Ethiopia?

RQ5. What other factors cause the repeated financial irregularities of the federal public offices of Ethiopia in implementing audit recommendations?

1.3. Significance of the Study

This research is believed to help in finding out the basic factors/reasons why some public offices repeatedly fail to implement the audit recommendations by the OFAG. It also helps in identifying the major general challenging factors to execute audit recommendations. It also makes some important recommendations that help to improve the implementation of audit recommendations both by the auditing institutions and audited offices. And also, it can be a useful resource for researchers, policymakers, and others who want to know or have information on this subject matter.

1.4. Scope and Limitations of the Study

The scope of this research is limited to public offices of the federal government that operate in Addis Ababa, specifically those offices which are continuously fallen under an ‘adverse opinion’ from the year 2016 – 2018 GC as indicted in the audit report of 2019 of the OFAG. These offices are The Federal Police, the Geological Survey, and the Ministry of Foreign Affairs.

Although eight public institutions were identified for the repeated financial irregularities from the year 2016 – 2018, only three are included in this research. One reason for this is the occurrence of the COVID-19. Due to this pandemic, Addis Ababa Science and Technology University was not open for the interview and survey questionnaires. The rest four institutions, i.e., the Ministry of Agriculture and Natural Resources, Ministry of Science and the Technology, Ministry of Education, and Revenue and Customs Authority, are not included because they are

restructured. It was found to be too challenging to get the required information regarding the activities of those previous institutions from the employees of the current restructured institutions. Regarding the limitation of this study, both the dependent and independent variables were found to be very difficult to measure. This in turn prevented the researcher from using regression analysis which might be more suitable to identify the factors. Thus, the researcher has found descriptive analysis as the next best alternative to address the issue at hand.

1.5. Structure of the Study

This research is organized into five chapters. Chapter one deals with the introductory issues scope and limitations of the study, and structure of the paper. Chapter two addresses the theoretical and empirical findings that exist in the subject matter. The methodological issues are discussed in chapter three. Presentation and analysis of the data are covered under chapter four. The last chapter presents the conclusion on the finding of the research and gives some important recommendations and suggestion for further study.

Chapter Two

2. Literature Review

This chapter presents all the important theoretical reviews and empirical discussions and makes a conclusion and identifies knowledge gaps depending on the theoretical and empirical reviews. This helps to fairly understand the issues under discussion and lays down basic arguments that are used in analyzing the data and making conclusions and recommendations at the end.

2.1. Theoretical Review

This is the first main section that intends to cover main literature reviews on the meaning and objectives of the audit, roles of public sector audit, supreme audit institutions (SAIs), types of audit, types of the auditor, types of the audit opinion, and theories on demand for public sector auditing.

2.1.1. Meaning and Objectives of Audit

There are several ways of defining audits depending on different perspectives. It can be defined as an ‘examination and inspections of accounts of commercial firms to find out whether they are in accordance with laws, codes, and regulations and that the accounts are in order’ (Kesimli 2019, p. 2). Some others define it as follows:

An Audit is a form of attestation service in which the auditor issues a written report expressing an opinion about whether the financial statements are free of material misstatements or in material conformity with generally accepted accounting principles (GAAP) or other recognized criteria (Messier, Glover & Prawitt 2008; Soltani, 2007).

The purpose of this attestation is made to assure other third parties interested in the financial status of the firm to be able to make a genuine decision depending on the findings of the audit (Soltani 2007). This ‘other party interested’ would be, in the case of public institution auditing, the public at large, the Parliament, and the government as a system (Goodson, Mory & Lapointe 2012). This can be more understood from the following definition which says:

Audit is an examination of the financial statements of any issuer by an independent public accounting firm in accordance with the rules of the Public Company Accounting Oversight Board (PCAOB) for the purpose of expressing an opinion on such statements (Kesimli 2019, p. 2).

Therefore, the ultimate goal of the audit is ascertaining the financial status of the firm by an independent auditing organ to assure the third party of any misrepresentations regarding the financial activities of the firm and help to make genuine decisions in the relationships with the firm. In this regard, Salehi (2010, p.73) asserts that ‘the demand for auditing is sourced in the need to have some means of independent verification to reduce record-keeping errors, asset misappropriation, and fraud within business and business organization’.

2.1.2. Roles of Public Sector Audit

Government or public sector auditing is required because of distinct differences between the private sector and public sector auditing. Government sector auditing subjects to the approval of the legislature and the responsibility thereof transcends the parliament overview. According to Staats (1979, p.5), the ‘accountability chain between the electorate and elected officials is a vital, essential element of democratic government’.

The accountability in the public sector originates from the stewardship functions awarded to the public sector leaders to manage the public resources entrusted to them. It requires them to manage these resources with the utmost good faith with the duty to report and audit on how they have used the resources entrusted to them in accordance with the principles of the principal-agent relationship (Bergmann, Andreas 2014).

Thus, from the public sectors’ or government’s perspective, the audit is one of the important tools of good governance in a democratic society. It helps the system of financial administration by giving a fair opinion on the financial statements, and making an objective assessment as to whether or not the public resources are overseen responsibly and successfully by the leaders to realize the expected objective of the institution (Goodson, Mory & Lapointe 2012). So, a successful public sector auditing can provide a greater proficiency and viability in public organizations by examining and analyzing the problems in a way to stop or lower the wastages, abuses, fraud, corruption, and other mal-practices that may occur on the public resources in the public offices (Korje 2016). Public sector auditing is carried out to make sure that the resources rose from the taxpayers and other sources of finance are used for the intended purpose and to hold responsible the government and those public sectors responsible for the proper management and implementation of the resources (Goodson, Mory & Lapointe 2012).

One of the fundamental principles of Public-sector Auditing recognized by the International Standards of Supreme Audit Institutions (ISSAIs) is that the government and public sectors are responsible for the resources they use which are derived from the citizens in form of taxation. These institutions are accountable for the use and management of these resources to the citizens as a whole and to whom they deliver the services. Therefore, public sector auditing helps to create suitable conditions and strengthen the expectation that public sector entities and public servants will perform their functions effectively, efficiently, ethically, and in accordance with the applicable laws and regulations (Whitton 2001).

Therefore, being an important tool of good governance, public sector auditing helps the system as a mechanism of oversight, insight, and foresight. It assesses the extent of financial and program compliance, effectiveness, economy, and efficiency within the public sectors (Goodson, Mory & Lapointe 2012). As an oversighting tool, it helps to assess whether or not the public sector entities are doing what they are supposed to do and serves; to detect and deter public embezzlement. It also serves as a tool to assess whether the public sectors are achieving their missions or objectives they are established. (Goodson, Mory & Lapointe 2012). As an insightful tool, it helps the decision-makers by offering an unbiased evaluation of public sector programs, policies, operations, and results so that they could have the necessary knowledge on the issues on their hands before deciding on it. As a foresighting tool, it assists to distinguish different patterns and emerging challenges in the process of implementing the objectives (Goodson, Mory & Lapointe 2012).

2.1.3. The Supreme Audit Institution (SAI)

The SAI is the institution mandated to investigate government transactions to guarantee accountability on public funds by conducting the external audit in public institutions to make sure that their financial statement reflects the balance between revenue and expenditure, and so that the public funds are utilized in conformity with the existing laws, regulations, and accounting principles (Morgner & Chene 2014). This mandate is usually authorized by the constitution and will have to enable legislation.

The role of the auditing firm would be fulfilled if its audit recommendations are effectively implemented by audited institutions. To achieve this ultimate goal, the SAI is required to take diligent actions of follow-up and inspections for the audit effectiveness (IAASB 2014).

Therefore: ‘Strengthening the external audit oversight process is instrumental to allow SAIs to effectively play their role in detecting corruption and holding corrupt officials to account’ (Morgner & Chene 2014, p. 3).

However, it is witnessed that the SAIs face major challenges from the influence of political players, in addition to the problems from the incumbent’s interpretation of his roles, capacity challenges, workload, lack of financial autonomy, lack of proper human and financial resources, limited oversight, and absence of an immunity to risks of undue influence in their operations (Morgner & Chene 2014).

As the OFAG establishment proclamation 982/2016, Art 17, sub-art 3, makes it clear, the audited public institutions are legally obliged to implement those audit recommendations given by the OFAG within a specified period of time, and when they are found in default without reasonable ground, legal corrective measures will be taken.

However, in practice this not the case. The auditor general, Dubisso, in his interview with the Reporter Magazine, has clearly witnessed that, ‘one of the challenges was not taking action on findings. I must be satisfied only when my work produces the end result; nevertheless, it did not produce the intended result so far’ (Anberbir, Y. 2018a).

2.1.4. Types of Audit

Different proponents classify the types of audits from different perspectives (Kesimli 2019). Some classify the types of audit depending on the types of audit opinion as Unqualified, Qualified, Adverse, and Disclaimer Audit (Messier, Glover & Prawitt 2008). Again, some classify it depending on the authority and purpose, as well as the needs and issues to be addressed (Goodson, Mory & Lapointe 2012). The first one depends on the scope of authority and purpose of an auditing organ (accounting firm) which emanates from the establishing legislation or principles (Goodson, Mory & Lapointe 2012). From this point of view, the audit can be grouped into two: internal and external audit. Based on the needs and issues that need to be addressed, generally, again, the audit can be divided into three: Financial Accountability Audit (Financial Statements Audit), Program Operations Audit (Operational Audit), and Performance Audit (Compliance Audit) (Goodson, Mory & Lapointe 2012; Hayes et al. 2005).

Even, some group it into five: Financial Statement Audit, Internal Control Audits, Compliance Audits, Operational Audits, and Forensic Audits (Messier, Glover & Prawitt 2008).

2.1.4.1. Financial Statement Audit

This type of audit analyzes the financial statements of organizations to decide whether they give a genuine and reasonable view and are prepared in conformity with the accepted existing financial criteria that need to be followed as general principles of financial activities (Hayes et al. 2005). Therefore, in this case, the auditor has to ascertain whether or not the financial statements presented by the auditee are organized by a relevant financial reporting framework, whether they are fairly presented, or whether they give a true and fair view in accordance with the framework (IAASB 2009; Kesimli 2019). These criteria supposed to be followed by the auditees in administering their financial activities and used as criteria by the auditor could be the International Financial Reporting Standards (IFRS), International standard Auditing (ISA), or the General Accepted Accounting Principles (GAAP) as in the USA, as the case May (Hayes et al. 2005).

In the case of the public sector, as Kesimli (2019, p.4) states, financial audits are conducted ‘to communicate an opinion known as the ‘regulatory opinion’ as to whether the accounts and financial statements are free from material misstatement and show a true and fair view, and transactions in the accounts comply with appropriate parliamentary authority’.

2.1.4.2. Operational Audits (Performance Audits)

An Operational (Performance) audit is another form of audit which serves to evaluate the level of performance of an organization to ascertain the efficiency and effectiveness of that organization (Kesimli 2019). Basically, first, it examines the performance of an organization, and then it identifies the areas that need to be improved, and finally makes recommendations that help to improve the deficiencies identified through this audit (Messier, Glover & Prawitt 2008). In doing so, it reviews all or parts of the existing operating procedures of the organization so that their efficiency and effectiveness could be evaluated. The organization is said to be effective when achieves its goals and objectives. Efficiency measures how well an organization utilizes its assets to attain its goals. It examines whether the outputs of the organization are maximized when compared with the inputs (Goodson, Mory & Lapointe 2012). In addition to accounting, it can

evaluate the organizational structure, marketing, production methods, or computer operations as the organization feels necessary (Hayes et al. 2005).

In the case of public sector audit, performance audit is defined as follows:

Performance auditing is an audit of economy, efficiency, and effectiveness with which a government organization, a program, a project, an activity, or a function uses its resources in carrying out its responsibilities (MoFED 2013, p. 2).

The audit of economy involves auditing of administrative activities as to whether they conform to the administrative principles and policies, whereas efficiency audit assesses the level of utilization of human, financial, and other resources, and the effectiveness audit ascertains how effectively that entity achieved its objectives (MoFED 2013).

2.1.4.3. Compliance Audit

A Compliance audit is used to ascertain how much the executives of an organization perform their duties in conformity with the rules and criteria predetermined by the top management of the organizations or government agencies (Kesimli 2019). It audits the degree of adherence of the auditees to the authorities' defined rules, procedures, and criteria that need to be followed during all activities and financial transactions (Whitton 2001). These authorities could be the government's laws, regulations, procedures, policies, or rules that will be assessed (INTOSAI n.d; Messier et al. 2008). For instance, for public sectors, there are objective criteria to be fulfilled or standard procedures to be followed when accomplishing a mandate. It is a kind of traditional financial audit activity that primarily focuses on the conformance with internal and external rules and procedures while discharging responsibilities (San Miguel & Govindarajan 1984). Therefore, in this type of audit, the role of the auditor is to assess whether the auditee followed those criteria or standards during pursuing its works (Goodson, Mory & Lapointe 2012).

2.1.4.4. Forensic Audit

This is a type of audit conducted for detecting business frauds mostly carried out as investigation for criminal charges (Messier, Glover & Prawitt 2008). Organizations use this type of audit to examine their internal controlling system weaknesses and expose intentional financial mischiefs by the employees or management of the organization violating the trust-based principal-agent

principles (Soltani 2007). Therefore, in this case, the auditor serves as an investigator and tries to gather all evidence that could be presented and used before the criminal court of law for prosecuting the fraud achiever for their financial crimes (CFI n.d).

2.1.5. Types of Auditors

With the classification of audits, auditors also can be classified into different groups. Depending on their employment, auditors can be classified into two – Internal Auditor and External Auditors (Soltani 2007). On the other hand, depending on the type of audit they are authorized for or depending on their roles, auditors can be classified into four – Internal Auditor, External Auditors, Government Auditors, and Forensic Auditors (Messier, Glover & Prawitt 2008).

2.1.5.1. Internal Auditors

Internal Auditor is audit experts who are employed by a firm to perform internal auditing functions. So, the internal auditor is defined as follows,

An Internal Auditor is a trained professional employed by companies to provide an independent and objective evaluation of financial and operational business activities, including corporate governance. They are tasked with ensuring that companies comply with laws and regulations, follow proper procedures, and function as efficiently as possible (Liberto 2020).

Therefore, the first criterion is that an Internal Auditor is an employee of a company s/he audits for, so the name internal auditor. So, Internal Auditor is an expert who performs all the necessary audits of that specific organization, such as financial, compliance, forensic, operational, or internal control as needed by the organization hired him (Messier, Glover & Prawitt 2008).

Internal auditing that the Internal Auditor is hired for is a type of audit that organizations use for self-assessment to have full control over their organizational activities. They use it to diagnose their efficiencies and effectiveness to identify problems and thereby make important improvements in their function (Soltani 2007). It is an alternative organizational control system that conducts an internal audit and directly reports the result to the top management regarding the accuracy and adherence of the performers to the operating rules and regulations of the organization (San Miguel & Govindarajan 1984).

The IIA defines internal auditing as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process (IIA n.d).

This proves that they have a huge influence on the overall internal wellbeing of an organization as their feedbacks on risk assessment, management, and control systems are the basic necessity to make proper decisions by the management. In this regard, Soltani (2007, p.105) notes that:

Internal auditors assist both management and boards of directors and audit committees by examining, evaluating, and reporting on the adequacy and effectiveness of the management's risk processes and by recommending improvements when necessary.

What could be concluded from this is that the management, audit department, boards of directors, and the Internal Auditor are highly intertwined and that determines the efficiency and effectiveness of an organization, be it private or public sector. The management, audit department, and other responsible organs of the firm who use the feedback of the Internal Auditor should make sure that the internal auditing is adequately and timely auditing all areas of the firm, in vice versa; the Internal Auditor should make sure that the firm is complying with all laws, regulations, policies, and other requirements.

In this regard, some research works prove that the effectiveness of internal audit depends on the interest and extent to which the management accept its importance and exploit it (Azzone & Arena 2009); audit recommendations would not be implemented unless management is committed to it (Mihret & Yismaw 2007); some management do not accept advice from them since they think they do not have adequate knowledge (Mihret & Yismaw 2007); with due respect to the principle of independence, the top management can help auditors by identifying high-risk areas, and by recommending on their activities (Radasi & Barac 2015). Therefore, the organization that has strong Internal Auditors and quality internal audit activities is most likely to have better internal control and risk management which could put the organization in a safe financial management position (Altwaijr 2017).

This shows that the effectiveness of the internal auditing system highly benefits the auditee by detecting problems at their early stages. So, the organizations need to give a big concern for their

internal auditing and adequately use their auditors as they are the closest and quickest to find out problems at its earliest stage and recommend solutions before it gets worse.

2.1.5.2. External Auditors

External Auditors are independent professionals assigned by an auditing firm to assess and evaluate a financial statement of an organization need to be audited. They review the financial statements of a firm to ascertain its past financial performance and show the current financial position (ACCA 2018). Not only financial statements, but can also conduct other audits, such as compliance audits, operational audits, and forensic audits as the case may require (Messier, Glover & Prawitt 2008). As the name indicates, they are not the employees of the auditee.

External Auditors are important financial actors who help to ‘deter fraud, anticipate financial risks and promote accurate, transparent and timely disclosure of corporate information to users’ (Soltani 2007, p. 93). For these reasons, sometimes, they are called ‘public protectors’ or ‘public watchdogs’ of financial reporting (Soltani 2007).

They help citizens and stakeholders by conducting unbiased and objective assessments as to whether the resources of the organization are managed effectively, efficiently, and responsibly for the achievement of the intended goals, which could, in turn, boost the confidence of the public as that could result in achieving accountability and responsibility (Goodson, Mory & Lapointe 2012). Unlike the Internal Auditor, their audit findings are not primarily for the internal consumption of management of the auditees, rather for stakeholders, investors, creditors, and lenders (Bragg 2020).

In the case of public sectors, external audit is held by independent SAI. In the case of Ethiopia, this institution is called the OFAG. ‘For an external audit to fulfill its objective the users of audited financial statements must have confidence that the auditor has worked to a suitable standard and that a quality audit has been performed’ (IAASB 2014).

The major challenges of External Auditors are said to be ‘independence, transparency, capacity, and political will of the executive and the legislature to implement the auditor general’s report’ (Morgner & Chene 2014). This is discussed in detail under the SAI section. This shows that the leaders of an organization play a vital role in the success of the works of the External Auditors. Some leaders may see their work as mere regulatory work and minimize their contribution, while

others take them very seriously and rely on their financial information to control their work environment, risk management, and take action depending on their recommendations (IAASB 2014).

2.1.5.3. Government Auditors

Government auditors take both forms of internal and external auditors and perform both types of auditing – internal and external auditing (Hayes et al. 2005). The role of government auditors has grown radically following the theoretical and philosophical change from the traditional form of administration to the new public management (NPM) mode in the 20th century where the issue of efficiency and effectiveness of public expenditures has begun to be the focus of public sectors management. During this period the traditional form of audit which focused on compliance with rules and regulations started to change to a greater concern of accountability for collection, expenditure, and management of public funds (Dereje 2012).

Government auditors are entrusted with the duty to help the government in its role of oversight, insight, and foresight by evaluating financial and program compliance, effectiveness, economy, and efficiency, so that the government accomplishes its primary duty of delivering services and carrying out programs adequately and appropriately (Goodson, Mory & Lapointe 2012). Goodson et al. (2012, p.9) further note that:

The conventional wisdom is that government cannot be effective in absence of public trust. Government auditors play a central role in fostering such trust, and have even been referred to as the guardians of public trust. Without them, citizens would lack credible insight into the soundness of the many inner working of government.

They assist the decision-makers in their duty of oversight by conducting evaluations as to whether public institutions are accomplishing their duties per the laws and regulations provided to be followed. This helps to deter government officials from committing public corruption, including fraud, waste, abuse, and other misuses of power and resources entrusted to them (Goodson, Mory & Lapointe 2012). They can also collect evidence that supports criminal proceedings on inappropriate, inefficient, illegal, fraudulent, or abusive acts (Goodson, Mory & Lapointe 2012). This function of auditors is vested on the auditor general in Ethiopia and details can be seen under the SAI discussion.

2.1.5.4. Forensic Auditor

Forensic auditors could be employed by the government or any other agencies and trained for detecting, investigating, and deterring fraud and white-collar crimes, for instance, crimes of money-laundering, embezzlement, claims that arise over damaged accounting records like insurance settlements (Messier, Glover & Prawitt 2008). An association devoted to supporting forensic auditors through educating, training, and finally certifying is called the Association of Certified Fraud Examiners (ACFE). Auditors certified by ACFE are called Certified Fraud Examiners (CFEs) and they are trained to identify red flags and warning signs of fraud before occurring and to professionally investigate such kinds of crimes (Ramaswamy 2007).

2.1.6. Types of Audit Opinion

An audit opinion is a written expression of an auditor on the financial statements regarding the entity's financial performance, including comments, results, corrective measures, and the like. As expressed under the public company accounting oversight board (PCAOB):

The objective of the ordinary audit of financial statements by the independent auditor is the expression of an opinion on the fairness with which they present, in all material respects, financial position, results of operations, and its cash flows in conformity with generally accepted accounting principles ... and to identify those circumstances in which such principles have not been consistently observed in the preparation of the financial statements of the current period with those of the preceding period (PCAOB 2017).

Accordingly, there are four types of audit opinions – unqualified, qualified, Adverse, or disclaimer of opinion (Hayes et al. 2005; Lessambo 2018).

2.1.6.1. Unqualified opinion

The Unqualified opinion comes when 'the financial statements conform to the entity financial framework (i.e., GAAP)' (Lessambo 2018). An auditor gives an unqualified opinion when the financial statements provide a true and fair view or are found in conformity with all applicable financial standards (Hayes et al. 2005). This happens when there is no material violation of accepted accounting principles, the financial disclosures are adequate, the auditor did not face any problem to conduct the audit, and performed the audit with full independence (Soltani 2007).

This type of audit opinion is also called ‘clean’ audit opinion since it shows that the independent auditor has followed all the appropriate audit principles and standards during conducting his audit and finds the financial statements fairly represented in all its material respects (Lessambo 2018). However, that does not mean the financial statements are free of any error, it is just to mean that it is fairly presented. Lessambo (2018, p.77) puts this fact as follows:

A ‘clean’ audit opinion is not a guarantee of error-free financials but is rather the conclusion by an auditor – using procedures and professional judgment that are reasonable to the circumstances – that the statements are fairly presented.

Nevertheless, this is a type of audit opinion that the users of the financial statement want since it proves that the firm is financially stable and there is no major problem with the financial activities of the firm (Whittington & Pany 2016).

2.1.6.2. Qualified opinion

This type of opinion is given when the financial statements fairly present the financial status of the firm except for some matters to which the qualification relates, such as unjustified departure from accepted accounting principles, inadequate disclosure of financial statements, and limitation of scope (Soltani 2007). The report is qualified when the limitation of scope and the departure is material but not pervasive as to require an adverse or a disclaimer of opinion (Hayes et al. 2005). As Whittington and Pany (2016, p.49) also note that:

The limitation on scope must be significant, but not so significant as to overshadow an overall opinion on the financial statements; the departure from applicable accounting principles must also be material; but not so material as to pervasively misstate the financial statements.

2.1.6.3. Adverse opinion

This type of opinion comes when the financial statements do not present a true and fair financial position, cash flow, and operational results of the company in conformity with the accepted financial reporting system (Soltani 2007). That means there is exists pervasive and material departure from the financial reporting framework, and important disclosures are lack in to render the financial statements misleading (Whittington & Pany 2016).

Hayes et al (2005, p.502) note that:

An adverse opinion is issued when the effect of a disagreement is so material and pervasive to the financial statements that the auditor concludes that the qualification of his report is not adequate to disclose the misleading nature of the financial statements.

2.1.6.4. Disclaimer of opinion

Disclaimer opinion comes when ‘the auditor cannot issue a financial statement audit opinion it may issue a disclaimer’ (Lessambo 2018, p. 336). This happens when the auditor is unable to express any opinion on the financial statements since he cannot obtain sufficient and appropriate audit evidence (Hayes et al. 2005). This may occur when the auditor does not have a mandate to audit it (scope limitation) (Whittington & Pany 2016), the disagreement is so material and pervasive so that the auditor could not proceed, or the auditor is not qualified to perform that audit (Soltani 2007).

2.1.7. Theories on Demand for Auditing in Public Sectors

There are four theories regarding the demand for audit services which will be discussed next. These are Policeman Theory; Lending Credibility Theory; Theory of Inspired Confidence, and Agency Theory (Hayes et al. 2005). Each of them is discussed in detail as follows.

2.1.7.1. The Policeman Theory

As the name itself indicates, this theory comes from the understanding that the auditor should stand as police in searching, examining, and discovering frauds (Hayes & Wallage 2016). According to this theory, the driving force behind the need for auditing is a strong need to find someone who is independent and able to search, identify, and prevent financial fraud (Shumba 2015). Accordingly, its focus is on arithmetical accuracy, prevention, and detection of fraud (Hayes et al. 2005).

2.1.7.2. The Lending Credibility Theory (Stewardship/monitoring hypothesis)

According to this theory, the primary function of auditing is not detecting frauds but adding credibility to the financial statements (Hayes & Wallage 2016). It advocates that ‘the performance of auditing will contribute in increasing the credibility of financial statements’ (Ateya & Kukreja 2015, p. 22). It argues that the function of the audit is for the management to use the audited financial statements to convince the stakeholders such as stockholders, government, or creditors to have confidence in their stewardship that they are adding economic

value to the organization they are managing (Hayes et al. 2005). Thus, as Ateya and Kukreja (2015, p.22) argues that,

The audited financial statements are expected to enhance the attitude of the preparers of the financial statements and reduce the information asymmetry that is taking place between the preparers and the users of financial statements.

Therefore, the auditor is responsible to lend credibility to the financial statements of the entity through his professional opinion so that the third party who is the user of the financial statement would accept the healthiness of the entity in question to fairly make deals with it. This means that it aims at maintaining the confidence of investors that the financial activities of the firm in question are reliable and credible because investors take audited financial statements as a protection against financial abuses and frauds (Shumba 2015).

2.1.7.3. The Theory of Inspired Confidence

This theory tries to satisfy both the demand and supply side of audit services – i.e., it deals with both the auditor (the supply side) and the third party who contributes to the firm's business (the demand side) (Hayes et al. 2005). On one side, it deals with the interests and expectations of third party stakeholder who contributes to the company's business. This investor, to continue his contribution, demands assurance in which the management could be held accountable since they can be biased toward their interest. Therefore, the information delivered by the management must be audited if the investor has to accept and continue his contribution (Hayes & Wallage 2016).

The supply side of the audit services concerns the level of assurance that the auditor should provide in his audit reports. Hayes et al. (2005, p.46) argue that:

The auditor should act in such a way that he does not disappoint the expectations of a rational outsider, while, on the other hand, he should not arouse greater expectations in his report than examination justifies. So, given the possibilities of audit technology, the auditor should do everything to meet reasonable public expectations.

According to this theory, the only person that the public can trust and rely upon is an independent auditor because he is impartial, objective, and independent. He is trusted that he can

meet the rational expectations of the general public and gives an assurance which can be proven and equates with his work, no more no less (Ateya & Kukreja 2015).

2.1.7.4. Agency Theory

As Leung et al. (2015, p.9) note the ‘demand for the audit has existed ever since there has been a separation of ownership and control of organizations. This separation underlies the first reason for the demand for auditing’. According to agency theory, there is a contractual relationship between these two parties, one as the owner (the principal) and the other as the one who is charged with the administration of the resource (the agent) (Adams 1994). This relationship between them is called agency contract and defined as:

A contract under which one or more persons (principal(s)) engage another person (the agent) to perform some service on their behalf involves delegating some decision-making authority to the agent (Jensen & Meckling 1976, p. 308).

This theory bases on the premise that the interests of the principal and the agent do not necessarily coincide (Walsh 1995). It assumes that the agent has more information than the owner (principal) and so that if both of them are to maximize their utility, the agent will act on his interest where the owner is unable to control this act of the agent due to the information asymmetry between them (Adams 1994; Jensen & Meckling 1976). It is this asymmetry of information that necessitates the demand for auditing. The auditor equalizes this information asymmetry by enabling the principal to have the necessary information need to control the acts of the agent (Walsh 1995). And it is believed that the more audit frequency the less asymmetry of information (Kogan, Sudit & Vasarhelyi 2018).

According to this theory, the auditor plays a supervisory role between the principal and agent (Salehi 2010), and the audit work, in this case is expected to detect errors (irregularities, frauds, and illegal acts) in the financial statements and report them in the final audit report so that the principals would have balanced information about the actual situation of the organization and be able to pass a genuine decision (Hayes et al. 2005). That means the agency theory requires the agent to fully disclose, through independent External Auditors, his operating results and financial status of the firm for the owner who does not directly involve in the management of the organization (San Miguel & Govindarajan 1984).

In the case of public sector auditing, the same logic works – the parliament, which is a representative of the public, is a principal while the government departments and designated instrumentalities are the agents (Hardman 1991). Thus, there is a principal-agent relationship in the public sector. These officials acting as an agent are under a duty to periodically account for the principals and let them know the number of resources they used and the corresponding public objectives they have accomplished (Hardman 1991).

The principal entirely depends on the auditor's report to know whether or not the agent has acted in the best interests of the principal and uses the resources accordingly. There are four basic factors for this – conflict of interests, remoteness, complexity, and consequence of error (Goodson, Mory & Lapointe 2012). The case of 'conflicts of interest' arises since there is a probability that the agent may use the authority and public resources against the principal's interests. Due to 'remoteness', the principal may also not be able to oversight the daily works of the agent. Even if the principal is not remote, he might not have a technical capacity to identify expertized frauds of the agent – complexity. The fourth factor that demands audit verification in the public sectors is the magnitude of the 'consequence of error'. In some cases, the agent's error may cause loss or wastage of a large number of resources, affecting many lives of citizens, or/and endangers the health conditions of the public (Soltani 2007).

Therefore, among these theories, the agency theory is used to analyze the findings of the research.

2.2. Empirical Review

Under this section, different empirical researches are presented and discussed. Researches from abroad are discussed first and then come to the local ones.

Salehi (2010) investigated the effectiveness of external auditors' reports in Iran. This research used a quantitative method and the data was collected through questioner from the chief executive officer, financial manager, tax office, and faculty members. The result of this study showed that the finding of the audit is clear to a third party, audit practice has a reasonable price in Iranian and the audit report is a cornerstone of decision making for investment.

However, this research is approached only from the external auditor's perspective. It did not include the overall factors leading to the recurring financial irregularities in the public institutions which the current study does.

Aikins (2012) studied the determinants for the auditee to adopt audit recommendations from the auditors' perspectives. Questionnaires were used to gather the required data. The questionnaires were distributed to 387 audit department heads of the association of local government auditors. Accordingly, the finding showed that auditor professional designation, due diligence, client relations, documentation and tracking of audit recommendations, and follow-up are determinants for auditees to adopt audit recommendations.

Yet, this research is also primarily limited to the perspective of the auditors. It lacks the perspectives of the auditees which the current study addresses.

Masood & Lodhi (2015) studied the factors affecting the success of government audits. The data were collected from fifteen senior government auditors in Face-to-face in-depth interviews. Accordingly, the research found out that 'massive corruption, conservative auditing methods, lack of cooperation from auditee, low morale of auditors, lack of financial independence, lack of power to take action against malpractice, lack of financial, technology and human resource, lack of qualified trainers and ineffective training institutes' were the factors those affect the successful implementation of a government audit.

This research covers a lot of issues as compared to the above researches. Nevertheless, it has tried to identify the general factors affecting the success of government audits than specifically focusing on and addressing the factors for recurring financial irregularities in the identified public institutions in the way the current research does.

Alzeban & Sawan (2015) studied the impact of audit committee characteristics on the implementation of internal audit recommendations. In this research, the data was collected through a survey questionnaire from the Chief internal auditor of United kingdom companies listed on the London stock exchange. This research found that independence of the audit committee, the expertise of the audit committee member, number of meetings, and size of the audit committee has an impact on the implementation of internal audit recommendaions.

With the current study, the drawback of this research is that it only focused on the internal auditors. Its aimed to explore the impact of the audit committee in implementing the recommendations of internal auditors while the focus of the current study is on the implementation of recommendations of the auditor general, external auditors.

Azhar & Setyaningrum (2015) studied the effect of audit findings and their follow-up on the level of corruption. The research used primary data from the year 2010 – 2013. It used a regression model to analyze the data. The finding shows that the level of corruption is positively affected by the number of audit finding and the amount of audit finding, whereas negatively affected by the follow-up of the audit finding.

The objective of this research was not to identify factors impeding the implementation of audit recommendations. It focuses on assessing the effect of frequent and timely auditing and follow-up on the level of corruption. Thus, though it relates to the current study, it does not directly cover the objectives covered under the current study.

Atuhumuza (2016) studied the organizational and individual level factors that affect the successful implementation of the Auditor General's recommendations. It employed a mixed research approach and the data were gathered through a descriptive survey method using a purposive and non-probability technique of sampling. Both descriptive statistics (frequencies and percentages), and inferential statistics (correlations and regression) were used to analyze the gathered data. Accordingly, it found that organizational- level factors such as funding, processes and regulation, and political influence affect the successful implementation of the recommendations of the Auditor general, whereas individual-level factors such as attitudes, beliefs, and knowledge have no direct relationship with the successful implementation of the recommendations.

The research aimed was to assess how the independent factors, i.e., institutional, individual, and nature of findings, affect the successful implementation of the recommendations of the General Auditor. So it did not try to identify the main factors for the recurring financial irregularities in public institutions.

Dain & Rahmat (2017) studied the relationship between attitudes and implementation of audit recommendations in public sectors. The study employed quantitative survey research. It has

chosen six reference groups such as auditors, follow up audit, accountability index, Auditor General's Dashboard, the Audit Committee, and media to study their relationship with attitudes to implement the audit recommendations in the public sectors by appealing to the theory of reasoned action which argues that attitude and subjective norms influence the intention to implement the audit recommendations. Questionnaires were used to gather the important data for the research. Thus, it found that the auditee's attitude, accountability index, media, audit committees, auditor, and follow-up audit indicators influence to implementation of the audit recommendations.

This research too, like that of Atuhumuza, intended to assess the level of influence of the six identified factors on the implementation of audit recommendations. So, identifying the main factors for the recurring financial irregularities in some public institutions was not its objective.

Wadesango et al. (2017) has studied the challenges faced by Management in implementing audit recommendation in Parastatals. This study review published and unpublished work from secondary sources. According to the finding lack of qualified staff, lack of proper follow-up by auditor and management, financial constraints, imprecise audit recommendation, complex issues, and negative tone in audit recommendations are the causes for the non-implementation of the audit recommendations.

This research aimed at identifying the challenges the management in parastatals faced in implementing audit recommendations. It is not easy to conclude that these factors are also the factors for the recurring financial irregularities in most public institutions that fail to implement audit recommendations.

Probohudodo, Hartanto, & Putra (2018) have studied the factors that affect the settlement of audit recommendations in the public sectors by taking Professional Competency of Auditors, Type of the local government, Accounting entity numbers, Local government age, Educational background of heads of the local governments, Local head tenure, and the number of opposition parties as variables. It used a purposive sampling technique to gather the required data. Accordingly, it found that the type and age of the local government have significantly affected the settlement of the audit recommendations while the rest variables do not.

This study was intended in assessing how the seven identified factors affect the settlement of audit recommendations. Therefore, identifying the main factors for the recurring financial irregularities in public institutions was not its objective.

Mwilima (2018) studied examined the ability of the government in implementing the recommendations from the internal and external auditors. It was designed as quantitative descriptive research and used questionnaires and purposive sampling methods to gather necessary data. The research found that audit recommendations are not implemented due to a lack of measures on how to actualize the recommendations, lack of follow-up, lack of professional skills to implement the recommendations, lack of autonomy, and lack of authorization by the managers.

This research intended to examine the general factors that impede the ability of the government in implementing audit recommendations, not the factors that contribute for the recurring financial irregularities.

Regarding domestic research in Ethiopia, Korje (2016) has conducted an assessment on how the audit recommendations of the Office of the Oromia Auditor General were being implemented in the public offices of the region. Questionnaires, interviews, and document reviews were used to obtain the required data. The respondents were selected using cluster and purposive sampling techniques. The study has revealed that a lack of proper corrective measures encouraged fraudulent activities and financial irregularities to continue and thereby hindered the execution of the audit recommendations. According to this research, the factors that challenge the implementation of the audit recommendations are inadequate follow-up actions, lack of transparency and accountability, unspecified time of implementation, and the overlap that the heads of the audited offices that are primarily responsible for the implementation are also responsible for the frauds and irregularities found out by the audit.

This research also tried to figure out the general factors that affect the implementation of audit recommendations in the Oromia regional state. It is not known which of these factors contribute to the recurring financial irregularities in public institutions. Some of the factors could be one-time factors while others may stay for a long time contributing to the recurring financial irregularities.

Tariku & Shibru (2016) has studied the fate of implementation of audit recommendations in the public offices of the Southern Nations, Nationalities, and Peoples Regional State (SNNPRS). Likert-scale questionnaires were used to gather the primary data and it was analyzed using simple descriptive statistics by applying percentage. According to the findings of the research, auditees' lack of interest in the audit report, absence of integration and cooperation between the concerned bodies, weakness in follow up actions, and delayed submission of the audit report by the Office of the Auditor General of the SNNPRS is said to be the major causes for the non-implementation of the recommendations.

This research also is intended in assessing the general factors for the non-implementation of audit recommendations. Its difference with that of Korje's is the change of the subject of the study, from the Oromia regional state to the SNNPRS. The factors for the recurring financial irregularities were not identified.

Dugassa (2018) assessed the major factors hindering the implementation of audit recommendations in the identified five public sectors of the Oromia region. He has used a quantitative research approach and a purposive sampling method and analyzed the gathered data using simple descriptive statistics. The research has identified five basic challenges to implementing the audit recommendations. These are Challenges of audit recommendation itself (lack of clarity, non-economic, not properly addressed, etc.); Challenge of competency (education, experience, skills, training); Challenges of top management support (conflicts of interest, lack of commitment, less attention on the importance of implementation, shortage of time, lack of knowledge, resistance to changes and improvements); Challenges of monitoring; and Challenges of Follow-up.

Unlike the above researches, this research has identified five public institutions in the the Oromia regional state and tried to identify the major factors that hindered them from implementing the audit recommendations. However, these public institutions were not selected because they frequently failed to implement the audit recommendations. There is no common denominator between these public institutions to be included under the same category.

Gobosho (2019) assessed the factors affecting the implementation of audit recommendations of the Office of the Auditor General of Oromia region. It is a mixed research approach and used a descriptive survey method to gather the required data through a purposive sampling method and

analyzed using descriptive statistics. According to the findings, ‘massive corruption, lack of powers to take actions against malpractices and deviations, and political pressures and lack of top management cooperation’ are the major factors that affect the implementation of the recommendations.

Alike the Korje’s, this research also attempted to assess the general factors for the failure in implementing the audit recommendations in the public institutions of the Oromia regional state. Though it has identified some factors for the non-implementation of audit recommendations, it did not differentiate which of the factors contribute to the recurring financial irregularities in the region.

2.3. Knowledge gaps and conclusion

As discussed in the previous sections, implementing audit recommendations is a very important issue as a successful audit is a mechanism to boost financial management, improve efficiency and effectiveness, bring transparency, enhance trust, build a democratic system and ensure accountability of the government.

Four basic theories related to auditing have been identified and discussed herein under. Among these theories, the agency theory is used as a theoretical base since the relationship between the general public and the government is a kind of principal-agent relationship that could be well addressed under this theory.

On the other hand, fourteen empirical studies relating to this research have also been reviewed – ten from abroad and four from Ethiopia (three from Oromia Regional State, and the other from the SNNPRS). The primary goal of these researches is to assess the factors that hinder the successful implementation of audit recommendations in their respective countries or regions.

The researches from abroad have disclosed that the main factors that affect the proper implementation of audit recommendations are lack of professional skills, diligence, follow-up, massive corruption, lack of cooperation, lack of financial independence, lack of power to take corrective measures, technology, lack of training, political influence, attitudes, media, lack of qualified staff, financial constraints, and the complexity of the issues at hand.

According to those researches conducted in the Oromia region, the main internal factors for the non-implementation of the audit recommendations are lack of top management cooperation,

incompetency to understand and implement the recommendations, inadequate follow-up and monitoring by the top management of the auditees, lack of transparency and accountability, lack of implementation plan and guidelines, while the external factors are said to be a lack of power to take action against malpractices and deviations, lack of monitoring and follow up by the Regional Auditor General and the State Council, lack of sufficient time to implement, delay in presenting the report to the auditees, the audit reports and recommendations are not action-oriented, convincing, and well supported, lack of implementation guidelines, lack of parliamentary oversight, and political pressures by the top management of the auditees on the Regional Auditor General (Dugassa 2018; Gobosho 2019; Korje 2016).

On the other hand, a study in the SNNPRS showed that the main internal factors are the absence of a culture of implementing the audit recommendations, and lack of interest for audit report, while the external is an absence of integration in implementing the recommendations with concerned bodies, weakness in follow up by the Office of the Auditor General of the region and delay in presenting the audit report to the auditee (Tariku & Shibru 2016).

In general, it is possible to identify the following weaknesses in the above empirical researches. Some of them have tried to approach the question of non-implementation of audit recommendations only from the perspective of external auditors view while some others only from the Internal Auditor perspective. Still, some of them addressed the issue of non-implementation of audit recommendations from the general auditors' perspective. Most of them have tried to assess the general factors that affect the implementation of the audit recommendations. Yet, some of these researches have focused on assessing the effect of frequent and timely auditing and follow-up on the level of corruption. In some of these researches first have identified the anticipated factors for the non-implementation of the audit recommendations and assessed the effect of these factors in the implementation of the audit recommendations.

However, none of these researches have tried to assess the main factors for the recurring financial irregularities in the public institutions that frequently failed in implementing the audit recommendations. Therefore, this study chooses to identify the main factors for repeated financial irregularities and assess their effects on the implementation of audit recommendations by the federal Public Offices in Ethiopia.

Chapter Three

3. Research Methodologies

The previous chapter reviewed both theoretical and empirical studies related to the subject of the current study. Brief discussions and conclusions have been made, and knowledge gaps are identified based on the theoretical and empirical reviews. This chapter presents the methodological and procedural issues involved in gathering, presenting, and analyzing the data required to answer the research questions of this study.

Therefore, the research approach, sampling design, and data collection method, data analysis procedures are explained in detail.

3.1. Research Objective and Questions

The broad objective is to assess the factors for repeated financial irregularities in federal public offices in Ethiopia in implementing recommendations by the Office of the Federal Auditor General. Based on this broad objective the following specific research questions (RQ) have been developed.

RQ1. How is the effect of the nature of audit recommendations on the repeated financial irregularities of the federal public offices in Ethiopia?

RQ2. How is the impact of lack of follow-up and corrective measures on the repeated financial irregularities of the federal public offices in Ethiopia?

RQ3. How do the financial and human resource constraints influence the repeated financial irregularities of the federal public offices in Ethiopia?

RQ4. How is the influence of the nature of office on the repeated financial irregularities of the federal public offices in Ethiopia?

RQ5. What other factors cause the repeated financial irregularities of the federal public offices of Ethiopia in implementing audit recommendations?

3.2. The Research Approaches

Based on philosophical assumptions, procedures of inquiry (research design), and specific tools of data collection, analysis, and interpretation methods, research can be approached from three methods - qualitative, quantitative, and mixed approaches (Creswell 2014).

As defined by Creswell (2014, p.32) qualitative approach is ‘an approach for exploring and understanding the meaning individuals or groups attribute to a social or human problem’. It focuses on words or open-ended questions and responses rather than quantification in the process of gathering and analyzing data (Bryman & Bell 2011). It uses interviews or focus groups to explore attitudes, behaviors, and experiences. In doing so it depends on the participants’ individual opinion, experiences, and understanding of the phenomenon (Dawson, 2002; Jason & Glenwick, 2016). The advantage of using this approach is that it helps to get an in-depth understanding of the phenomenon under the study, it gives the respondent to express his understanding, experiences, and opinion (Brodsky et al. 2016). Its shortcomings are that it is open to bias from both the researcher and the respondent, not easy to generalize to the whole study population, and subjected to subjective and nonreplicable decisions and procedures (Brodsky et al. 2016).

On the other hand, the quantitative research approach focuses on numbers, quantifiers, and closed-ended questions and responses (Dawson 2002). It is used to test theories by examining the relationships between variables (Creswell 2014). The variables used here need to be measured and numbered to analyze the gathered data using statistical procedures (Creswell 2014). Its basic characteristics are that it tries to establish cause-effect relationships, a generalization of the findings to the general study population, and uses standardized measurements to gather and analyze the quantitative data (Jason & Glenwick 2016). Its advantages are that there is less researcher influence, a large sample size can be analyzed, generalizable to the whole population, reliability and validity can be scientifically tested, while the disadvantage is that it cannot be used for non-quantifiable factors (Connell 2016).

A third approach is a mixed approach that combinations both qualitative and quantitative methods in single research when a single method cannot help to fully address the objective of the research (Creswell 2014). This approach can take different designs (Creswell 2014). One of these designs is called Convergent Parallel Mixed methods design in which the researcher first

collect both the quantitative and qualitative data and then analyzes both of the data separately and finally compares the results with each other to know if the results converge or diverge each other. Another design is called Exploratory Sequential Mixed methods design. This design involves two phases. In the first phase, the researcher collects qualitative data and then uses it to plan the second phase which involves the collection of quantitative data. When it comes to the Explanatory Sequential Mixed Methods design, the researcher follows the reverse method of the Exploratory Sequential Mixed Methods design (Creswell 2014; Edmonds & Kennedy 2017).

3.3. Research Approach adopted

The mixed research approach was selected for this study to use the data from both the quantitative and qualitative sources to best understand and identify the main factors that contribute to the repeated financial irregularities in the federal public offices. Then it was designed to follow an Exploratory Sequential Mixed Methods design to achieve this goal. This design was found important since the researcher could not get the main factors for the recurring financial irregularities identified in any other studies. So, it was found important to first identify the main factors through qualitative interviews and then develop a quantitative survey to check the validity of the identified factors through questionnaires distributed to the respondents.

3.3.1. Qualitative Aspect

Qualitative research involves three different methods of data collection – in-depth interview, direct observation, and written documents (Patton 2003). The current study has adopted an in-depth interview and document analysis.

In-depth interview

An interview is a method of gathering relevant data through discussing or conversation with the interviewee to answer the research questions and achieve the objective of the research. It can be either structured or unstructured. An unstructured interview is used when the researcher does not know much about the topic, cannot identify the variables for an in-depth interview, or wants to entertain a vague idea (Kumar 2011). Open-ended questions are asked in such situations with follow-up questions with concerned people supposed to clarify the vagueness (Sekaran 2003). On the other hand, the structured interview is conducted when the researcher already knows what information he needs from the respondent. In such case, the researcher will have a list of predetermined questions and asks the respondent personally or in any other way, like through

phone, or PC, and all respondents will be asked the same questions, except in the rarest cases when some relevant questions do not exist in the list might be asked based on the necessities of the situation (Kumar, 2011; Sekaran, 2003).

Accordingly, an in-depth interview was conducted to identify the main factors for the recurring financial irregularities in the public offices in implementing the audit recommendations by the OFAG. In doing so, first, five in-depth interviews were conducted in three offices subjected to this study – two from the OFAG, Two from the Ethiopian Geological Survey, and the other from the Federal Police. These respondents were identified based on their knowledge of the issue at hand due to their position in their respective offices. This helped to identify four main factors – Nature of audit recommendation; Lack of follow-up and corrective measures; Financial and Human Resource Constraints; and Nature of office.

Documentary analysis

Document analysis is a tool to analyze written documents such as publications, reports, minutes, photographs, newspapers, journals, etc, or any other records (Patton 2003). This research also analyzed different relevant documents such as proclamations, the FDRE constitution on the issue at the hand, audit reports of the OFAG involving the three institutions from 2016 – 2018 G.C, parliamentary speeches of the OFAG, and different magazines found relevant for the study.

3.3.2. Quantitative Aspect of the Study

The Survey design (descriptive research) is a case in which a researcher surveys to a randomly selected sample of individuals or, if possible, to an entire population (census) to statistically estimate or describe the experiences, opinions, and characteristics of the target population based on the answers given by the respondents selected from the population (Flowler 2014).

The advantages of employing this research design are that it helps to describe a real-world situation, flexible to use, can accommodate many research questions and large data with low cost and effort, and easy to generalize the findings, while its shortcomings are that it is not easy to deeply understand a phenomenon since it uses standardized questionnaires which limits the length and depth of the responses (Muijs 2004). Among the empirical researches on the implementation of audit recommendations discussed in the earlier sections, Aikins (2012), Atuhumuza (2016), Dain & Rahmat (2017), Dugassa (2018), Korje (2016), Mwilima (2018), and Tariku & Shibru (2016) have employed the quantitative survey method.

Therefore, a survey was conducted to gather responses from the respondents regarding the main factors identified through in-depth interviews. The details are discussed below.

3.3.2.1. Sampling Design: Population (Sampling frame), sample size, and sample selection

Sampling design deals with the principles and procedures the researchers need to follow to draw a proper sample from the study population (Sekaran 2003). Sampling design involves identifying the study population, sample size, and sampling techniques. The study population is the whole group from where the required information to answer the research questions is going to be obtained by selecting an appropriate sample (Kumar 2011). The list that contains the names of all populations is called population or sampling frame (Kumar 2011; Sekaran 2003).

Hence, based on this knowledge, the study population of this research study is all the federal government public institutions that did not implement audit recommendations by OFAG from the year 2016-2018. Accordingly, there is a total of 27 institutions that fall under this scope. Among these 8 institutions are found in Addis Ababa, which is the sampling frame. These are the Ministry of Agriculture and Natural Resource, Ethiopian Geological Survey, Ministry of Education, Addis Ababa Science and Technology University, Federal Police, Ministry of Science and Technology, Ministry of Foreign Affairs, and Revenue and Customs Authority (OFAG 2019).

Therefore, in the case of this research, there is 8 sampling frame which is listed above. Among these 8 public institutions only three institutions, are purposively selected into the sample of the research. These are the Ethiopian Geological Survey, Federal Police, and Ministry of Foreign Affairs. The rest 5 institutions are excluded because of the following reasons. The Ministry of Agriculture and Natural Resources, Ministry of Science and the Technology, Ministry of Education, and Revenue and Customs Authority is restructured and because of this, it was so challenging to get the required information regarding the previous institutions from the employees of the restructured institutions. The fifth institution, i.e., Addis Ababa Science and Technology University was serving as a temporary resident for the suspects of the COVID-19. And therefore, it was not possible to gather any information from this institution.

The next step was to select appropriate respondents from the three selected institutions. For this survey, all heads and employees of the department of finance, and internal audit of the Ethiopian Geological Survey, Ministry of Foreign Affairs, and the Federal Police were selected using purposive sampling technique to answer the questionnaires. This is because the heads and staff of both departments (Finance and internal audit) are presumed to have a better understanding of the audit recommendations by the OFAG and its implementation in their offices. According to the information gathered from 23-24 February 2020 in the three institutions, there are 28, 50, and 62 respondents respectively, which is a total of 140 respondents as shown in table 3.1.

Regarding the adequacy and reliability of the sample size, Hair et al. (cited in Lemma 2017) argue that the minimum size should not be less than five times the number of the variables to be analyzed. According to this argument, this study needs at least 100 survey participants: a sample size of 140 participants was found to be sufficient to undertake this study

Table 3.1 List of the study sample

No.	Audited public Institutions	Finance directorate (Head and staffs)	Internal audit directorate (Head and staffs)	Total
1	Ethiopian Geological survey	25	3	28
2	Ministry of Foreign Affairs	45	5	50
3	The Federal police (head office only)	37	25	62
Total		107	33	140

Source: Survey result and own computation.

3.3.2.2. Survey Instrument and administration of the survey

After determining the sample, the next step was deciding on the proper data collection tool. Accordingly, there are three primary data collection tools, such as interviews, questionnaires, and Observation (Kumar 2011; Sekaran 2003). Among these techniques, questionnaires and

interviews were used for this research. In the case of the format of the questionnaire, the semi-structured format was used because an open-ended question was provided at the end of the questionnaire in which the respondent was asked to mention any other factor or factors that s/he thinks did not indicate in the questionnaire.

The prepared questionnaire has two major parts. The first part focuses on the background information of the respondent. The second Part was prepared following the four main factors identified through the first in-depth interviews with the identified five respondents from the three institutions involved in this research. These factors include Nature of Audit recommendation; Follow-up and Corrective Measure; Financial and Human constraints; and Nature of office. Each of these main factors was followed by detailed questions that the respondents answer to. The questionnaire was prepared in the Amharic language for the convenience of the respondents. Appendix I and II show it with its English translation.

The survey was administered through the self-administration method. The questionnaire was to survey participants in person. The choice of the self-administered method was because of its convenience to the respondents as it gives freedom to the respondents by preventing intervention by the researcher. The respondents can choose when to respond and how to send the responses to the researcher (e.g., through email, mail, or any other social media outlets). It is less expensive and the issue of secrecy of respondents is high.

3.3.3. Method of data analysis

To analyze the collected data, a descriptive data analysis such as mean and standard deviation is used. Descriptive statistics helps to describe the general level of agreement of respondents (Cohen, Manion & Morrison 2000). In this case, it reveals the conformity of respondents' attitude for repeated financial irregularities in federal Public Offices in implementing recommendations by the OFAG. The data collected via questionnaire is analyzed by using the Statistical package for social science (SPSS) to come up with frequencies and percentages. The qualitative data obtained through the interviews were analyzed thematically. To ensure the quality of the instrument, and check the reliability and validity of the questionnaire the researcher piloted it before distributing it to the respondents.

3.4. Validity and Reliability test

To validate the survey instrument free from bias, and how well the collected data covers the actual area of investigation, the questionnaires were developed and sent to two audit professionals in the OFAG and to the researcher's advisor to comment and make their contributions on the content and the measurement of validity.

To test the reliability of the questionnaires of this study, Cronbach's Alpha (α) was employed. Gliem & Gliem (2003) provided the following rule of thumb: ' $\alpha > 0.9$ - Excellent, $\alpha > 0.8$ - Good, $\alpha > 0.7$ - Acceptable, $\alpha > 0.6$ - Questionable, $\alpha > 0.5$ - Poor, and $\alpha < 0.5$ - Unacceptable'. Coonelly (2008) suggests that a pilot study sample should not be less than 10% of the sample of the study. Thus, since the total number of the study sample is 140, 14 questionnaires were distributed to finance department employees of Ethiopia Road Authority, which would not be part of the sample in this study. After collecting the data, SPSS 25 was used to analyze the result. It was found that all the variables possess more than acceptable reliability standard rating from 0.826 up to 0.913, which is summarized in the table below.

Table 3.2 Reliability test

Variable	Cronbach's Alpha	NO of Items
Nature of Audit recommendation	0.893	5
Lack of follow-up and corrective measure	0.878	6
Financial and Human constraint	0.826	6
Nature of office	0.913	3

Source: Survey result and own computation

3.5. Ethical consideration

The information gathered for this research is strictly confidential and used only for the purpose of this research only. The individual identities of the respondents remain unnamed all on the questionnaire formats, during data presentation, and in the data analysis processes. These facts

were told to the respondents orally and by writing on the questionnaires and guaranteed accordingly.

The researcher has told the respondents in advance regarding the purpose of the study without misrepresenting the facts and urges them to cooperate with full permission, intention, and knowledge. The researcher sincerely appeared before the institutions and respondents with full respect and recognition of their workplace and job status.

The research refrained from leading the respondents to some direction in their responses. The respondents were not pressurized in way to respond to the questions in the way that endangers their work security or work environment at all. The researcher refrained from misrepresenting the data collected during the data presentation, reporting, or analyzing stages – i.e., they are presented, analyzed, and reported as they were originally from the respondents.

Chapter Four

4 Research Results and Discussion

The previous chapter reviewed the research approach, sampling design, data gathering, and data analysis procedures explained. This chapter is organized into two sections. The first section presents the research result, and the second section presents the discussion of the research result.

4.1 Research results

Under this section, documentary reviews, in-depth interviews, and survey results are presented. It starts with documentary reviews and in-depth interviews under different titles. Then, the result of the survey questionnaires is presented.

4.1.1 Documentary reviews and In-depth interviews

This section covers two subsections – document reviews and in-depth interviews. The document review part presents and discusses the data found from audit reports of the OFAG, constitution, and proclamations related to audit works. The in-depth interview part presents the result of the interview conducted for this research.

4.1.1.1 Documentary reviews

In the context of the federal government, each federal public institution is obliged to submit its' accounts to the OFAG within three months from the end of the fiscal year for inspection (FDRE 2009). In turn, the OFAG conducts an audit on all federal public institutions annually from March – January and presents the finding to the parliament and the auditees as well. Audit opinions on transactions, financial statements, compliance, and other matters related to the financial accounts of the government and performances of government offices are included in such report findings. The audit recommendations are first sent to the top management of the auditees to let them comment on the findings before publishing the last report (FDRE 2016; OFAG 2019). In this regard, the FDRE constitution Article 101 reads as:

The Auditor -General shall audit and inspect the accounts of ministries and other agencies of the Federal Government to ensure that expenditures are properly made for activities carried out during the fiscal year and in accordance with the approved allocations, and submit his reports thereon to the House of Peoples' Representatives.

As stated in the OFAG annual report 2019 the total numbers of public offices audited yearly were 158, 173, and 174 respectively. Accordingly, four types of opinions were given on the audit reports – Unqualified, Qualified, Adverse, and Disclaimer. ‘Unqualified’ is for the offices whose audit is the financial statement provides a true and fair view or found conformity with all applicable financial standards. Those whose audit is fairly acceptable with a small deficiency are labeled as ‘Qualified’. Those whose audit was found completely unacceptable are identified as ‘Adverse’. The fourth groups are those whose audit was not even possible to give any opinion.

Table 4.1 The total number of public office and audit coverage in OFAG

No	Audit opinion	2016 GC		2017 GC		2018 GC	
		No of public office	%	No of public office	%	No of public office	%
1	Unqualified	27	17	25	14.45	25	14.37
2	Qualified	73	46	87	50.28	89	51.15
3	Adverse	5	3.16	8	4.62	11	6.32
4	Discliminar	53	33.54	53	30.64	49	28.16
Total		158	100	173	100	174	100

Source: Audit reports from the year 2016 – 2018 of the OFAG

According to the audit reports from the year 2016 – 2018 of the OFAG, the three institutions included in this study, i.e., the Ministry of Foreign Affairs, Federal Police, and the Geological Survey were among those institutions that scored ‘Adverse Opinion’ because the auditor identified major problems in their financial accounts.

Table 4.2: Three organization audit finding OFAG Audit report 2016-2018

Office	2016	2017	2018
Uncollected/Unsettled accounts			
Foreign Ministry	could not provide supporting evidence for its uncollected account of Birr 38,366,356.85	could not provide supporting evidence for its uncollected account of Birr 54,687,040.37	Could not provide supporting evidence for its uncollected account of Birr 33,064,845.86, and Birr 108,079,052.31 uncollected for one month to one year.
Federal Police	Birr 210,819.97 as uncollected for one year	Birr 30,956,359.43 uncollected for one month to one year and Birr 28,272.25 uncollected for more than ten years, and could not provide supporting evidence for its uncollected account of Birr 102,967.40	Birr 1,574,526.11 uncollected for one month to one year and Birr 51,591,951.68 uncollected for one year to five years, Birr 253912.86 uncollected for more than ten years, and could not provide supporting evidence for its uncollected account of Birr 21,609,875.49
Geological Survey's	Birr 14,389,992.92 uncollected for five to ten years and Birr 1,115,104.57 uncollected for more than ten years	Birr 175,354.23 uncollected for one month to one year, Birr 3,346,933.71 uncollected for one year to five years, and Birr 1,596,650.75 uncollected for five to ten years.	Birr 1,091,527.19 uncollected for one month to one year, Birr 163440.78 uncollected for one year to five years, and Birr 253912.86 uncollected for five to ten years.

Expenses without complete evidence			
Foreign Ministry	Birr 262,022.51	Birr 27,350,000.00	Birr 6,354,207.54
Federal Police	Birr 21,125,500.00	Birr 303,240.00	Birr 2,933,213.87
Expenses without any evidence			
Foreign Ministry	Birr 4,366.013.47	Birr 22,123,507.92	Birr 50,633,757.50
Federal Police	Birr 1,540,212.14	Birr 570,408.92	Birr 53,772,357.80
Procurement that does not follow the procurement proclamation rules and regularities			
Foreign Ministry		Birr 3631287.08	Birr 96,974,563.35
Federal Police		Birr 546978.65	Birr 565,181.31
Geological Survey's	Birr 132,000.00		
An accountant that has been recorded in expenditure without keeping proper chart account			
Foreign Ministry	Birr 1,081,194.34	Birr 21,895,096.81	Birr 71,281,322.37
Federal Police		Birr 207,828.18	Birr 53540259.43
Geological Survey's	Birr 250231.04	Birr 11,925.00	Birr 400,974.00

Source: OFAG Audit report 2016-2018

4.1.1.2 In-depth Interviews

Accordingly, five in-depth interviews were conducted in three offices subjected to this study – two from the OFAG, two from the Ethiopian Geological Survey, and the other one from the

Federal Police. These respondents were composed of those who have rich work experiences, knowledge, and skills in auditing and those directly involve in the implementation of the audit recommendations in their respective offices.

According to the result of the interviews, the following are the main factors for the recurring financial irregularities in public offices.

With regard to the Auditees

- **The Issues of staff** - *The interviewees answered that some top management does not give proper attention to the implementation of the audit recommendations since they know no accountability comes to them following the non-implementation of the audit recommendation. They replied that the top management is not willing and committed even to improve their knowledge and skills regarding the office they lead. According to the respondents, the main reason for such lack of interest is that they do not know how long they would stay at the present political assignment position due to the frequent change of offices of the leadership. As said by the respondents, the manager assigned to one office will be transferred to another office very quickly without even having a proper understanding of the working situation of that office. The new manager also may not have enough time to understand the issue properly. This rapid change of leadership has made it difficult for them to remain stable, understand the issue and properly manage the office. The respondents believe that the rapid changes of top management from office to office or from one position to another, in turn, caused the frequent change of middle and low position officials and employees which resulted in non-stability to properly implement the audit recommendations.*

As stated by the interviewees, another reason for the failure of implementing audit recommendations which is related to the staff is that there are no such actions by the public offices in order to solve the lack of skills, competence, and motivation of their employees based on proper training need assessments that could help to boost audit recommendations execution capacity. On the word of the respondents, both the top management and employees lack the knowledge and skills necessary to implement the audit recommendations.

According to the responses of interviewees, most of the top management is political nominees, opposed to the merit-based occupation, and they devote most of their time to politics rather than properly running their respective offices. Such kinds of managers do not try to excel their knowledge and skills in their work demands since they already know no measures would come to them following the non-implementation of the audit recommendations. The only thing that they are serious about is serving the goal of the politics assigned them to that position. The absence of such corrective measures aggravated the repeated financial irregularities.

As replied by the respondents of the interview, another factor related to staff that contributes to the failure of implementing the audit recommendations is the weakening of the finance department of the public offices because of high professional staff turnover.

- **Nature of service** – *According to responses from the interviewees, another difficulty in implementing audit recommendations relates to the nature of services the public offices render. In some offices, like the Geological Survey, the professionals stay away from their office for a long time. These professionals rarely are obliged to make some extra expenses due to some unexpected occurrences which may contradict the financial rules and regulations. That, sometimes, makes it difficult for their offices to properly administer the expenses of such professionals. However, the auditors record such situations as financial irregularities.*
- **Unorganized filing System** – *The respondents indicated that an unorganized filing system is another big challenge to properly implement the audit recommendations. Purchases and some other important files are not well coded, dated, and organized to easily access when required by the auditors. Therefore, sometimes the auditors could not get the document they request and take it as a deficiency in their report. Due to the lack of proper documentation, sometimes, producing purchase documents becomes highly difficult when the items have been actually purchased and physically available at the office. Since the focus of the OFAG is on the production of the purchase documents, such situations are taken as financial irregularities on the auditees and the OFAG comes with the same report and recommendation from year to year until the purchase document is found regardless of the availability of the purchased item.*

- **Transition from single to double entry** – *There is also another factor for the non-implementation of audit recommendations which is related to the transition from Single to Double Entry. During the single entry most of the collectable accounts were held together in the single entry. Later on when double entry was started it could not be easy to separate those items registered together.*

With Regards to the OFAG

- **Ignoring the reality** – *As per the responses from the interviewees, another factor for the repeated financial irregularities is that the OFAG does not take into account the realities on the ground and keeps making its recommendations only based on financial laws and regulations. For instance, sometimes, the employees at field work may face security threat and call the local militias for protection and pay them per diems. But, since such kinds of payments are made in absence of finance expert or because the militias could not provide appropriate documents, the OFAG rejects such kinds of payments without considering the real situation that necessitated the payment. Similarly, sometimes, educational opportunity may be given to some employees to excel their knowledge and skills. And some of such employees may not return to the office as per the contract. In such cases the office is required to recollect the expenses incurred for those employees. However, it is not easy to collect such expenses due to some technical problems, such as lack of correct address.*

In some special cases, training may be organized and given in Addis Ababa for employees and allowances paid accordingly. However, the OFAG does not take this special situation into consideration and orders the return of the paid allowances taking it as contrary to the financial laws and regulations. When it is not possible to recollect such paid allowances, for some technical problems, the OFAG comes with the same recommendation year after year ordering recollection of those expenses. Sometimes financial rules and regulations might be violated for the purpose of giving fast services to the customers. But the auditor does not consider that kind of actions.

- **Disposal of unused items:** - *Although there are many old and disposable items in different public offices, only the Government Procurement and Disposal Service are assigned with such mandate to properly dispose those kinds of items. However, because*

the institution with that mandate does not provide fast service, the OFAG repeatedly comes with the same financial irregularity reports on the public offices that do not have such mandate and power to dispose of those disposable items. Even, sometimes, the recommendations concern something the country does not have the capacity to accomplish at all, let alone the office recommended to does it. For instance, the respondent from the Geological Survey told that his office has been repeatedly recommended to dispose of a chemical which is used to examine gold mineral but no used for a long time.

- **Increased investigating capacity of the OFAG** - *According to the responses of the interviewees, the growth of the investigative capacity of the OFAG also created new problems. Some of its current recommendations concern deficiencies that happened a long time before. At that time the OFAG itself did not have sufficient capacity to disclose some of the financial irregularities. But now, when the OFAG has got sufficient capacity, it goes back to those cases and makes recommendations. However, the current leadership in the auditees has not been able to resolve the situation and thus exposed for repeated criticism and recommendations. Regardless, the OFAG keeps repeatedly reporting on such non- resolve violations.*

Eventually, to develop the survey questionnaires, the factors illustrated above are regrouped under four major factors, i.e., nature of audit recommendations, lack of follow-up and corrective measures, financial and human resource constraints, and the nature of office.

4.1.2 Survey results

Based on the purposive selection technique discussed in the previous section, the sample size for the survey was 140 respondents which include all heads and employees of the department of finance, and internal audit of the Ethiopian Geological Survey, Ministry of Foreign Affairs, and the Federal Police. Accordingly, 140 questionnaires were distributed to them. From these, 117 were responded, i.e., 83.6% of the distributed 140 questionnaires.

The remaining discussion in this section presents the survey outcomes regarding the respondent background information, nature of audit recommendation, audit implementation follow-up and corrective measures, financial and human resource constraints, and nature of office.

4.1.2.1 Respondents profile

Gender of the Respondents: As could be seen from Table 4.3, among the participants of the survey, 56.4 % are male while 43.6 % are female. This shows that the male-female mix in the three institutions in its finance and audit departments is almost well balanced and the survey also involved balanced number of male-female respondents.

Table 4.3 Gender

Respondent' age	Frequency	Percent
Male	66	56.4
Female	51	43.6
Total	117	100.0

Source: Survey result and own computation

Age of the respondents: As shown under table 4.4, the majority of the participants in this study are aged 26-35 and 36-45 years old. Accordingly, those aged 26-35 are 36.8% while 36-45 are 35.9%. Those aged 18-25 are 6 %, and from 46-55 are 21.4 %.

Table 4.4 Ages

Respondent' age	Frequency	Percent
18-25	7	6.0
26-35	43	36.8
36-45	42	35.9
46-55	25	21.4
Total	117	100.0

Source: Survey result and own computation

Field of the study of the respondents: Since this study is related to the findings of the audit, the respondents are purposely selected from the departments of Finance and Auditing. As shown in Table 4.5 below, most of the respondents studied accounting, 94%. The rest, i.e., 8.5% management, 2.6% economics and 8.5% studied other fields of study. In general, the respondents' fields of study are directly related to the subject of this study.

Table 4.5 Respondents' educational background

Description	Frequency	Percent
Accounting	94	80.3
Management	10	8.5
Economics	3	2.6
Other	10	8.6
Total	117	100

Source: Survey result and own computation

The educational level of the respondents: As shown in Table 4.6 below, most of the participants in this study have a bachelor's degree. Accordingly, 71.8% have a bachelor's degree, 21.4% have a master's degree or higher, 5.1% have a diploma, and 1.7% has a certificate.

Table 4.6 Respondents' educational level

Description	Frequency	Percent
Certificate	2	1.7
Diploma	6	5.1
First Degree	84	71.8
Graduate Degree or more	25	21.4
Total	117	100.0

Source: Survey result and own computation

Current job occupation of the respondents: As shown under table 4.7, among the respondents, 51.3% are accountants, 33.3 % are internal auditors, 2.6% are finance directors, 2.6% are internal audit directors, and 10.3 % are team leaders.

Table 4.7 Respondent Current job occupation

Description	Frequency	Percent
Accountant	60	51.3
Internal Auditor	39	33.3
Finannce director	3	2.6
Internal Auditor Director	3	2.6
Other	12	10.3
Total	117	100.0

Source: Survey result and own computation

Work experience of the respondents: As shown in Table 4.8 below, 5.1% of the respondents have less than 2 years of work experience, 25.6% have 2 to 4 years of work experience, 45.6% have 4 to 6 years of work experience, and 18.8% have 6 to 10 years of experience and 6.8% have more than 10 years.

Table 4.8 respondents' Work experience of current job occupation

Description	Frequency	Percent
Less than 2 years	6	5.1
2-4 years	30	25.6
4-6 years	51	43.6
6-10 years	22	18.8
Others	8	6.8
Total	117	100

Source: Survey result and own computation

4.1.2.2 Factors for repeated financial irregularities in implementing audit recommendations

In order to identify the factors for repeated financial irregularities in implementing audit recommendations, four main factors were identified based on the responses from the interviews. These factors are the Nature of audit recommendations, Audit recommendation implementation follow-up and corrective measures, financial and human resource constraint, and the nature of office. Each main factor is followed by a number of related sub-factors in the form of survey statements as presented below.

Table 4.9 displays the responses of the respondents to the survey questions intended to know the level of nature of audit recommendations as a factor for the repeated financial irregularities in implementing audit recommendations. Accordingly, the responses regarding the understandability of the audit recommendations, being supported with the necessary evidence, being cost-effective if implemented accordingly, and being free from any overtone expressions have a mean of greater than 3 (Table 4.9). Only the question of implementability scores a mean of 2.47 which means the respondents disagree that the audit recommendations by the OFAG are implementable on time (Table 4.9). Regarding the standard deviation, it is less than 1.00 for the responses concerning the understandability, implementability, and evidentiality of the audit recommendations (Table 4.9). It is greater than 1.00 for the responses concerning the cost-effectiveness, and being free from over tone expressions (Table 4.9).

Table 4.9 Level of nature of audit recommendation as a factor for repeated financial irregularities in implementing audit recommendations

	Statements	N	Min.	Max.	Mean	Std. Deviation
1	The audit recommendations by the Office of the Federal Auditor General (OFAG) to my office are clear to understand,	117	1	5	3.69	.995

2	I believe that the audit recommendations by the OFAG are well implementable on time.	117	1	5	2.47	.952
3	The OFAG audit recommendations are well supported by the necessary evidence.	117	1	5	3.89	.917
4	I find the audit recommendations as cost-effective if implemented accordingly.	117	1	5	3.58	1.205
5	The audit recommendations are free from over tone or any threatening expressions	117	1	5	3.62	1.015

Source: Survey result and own computation

Table 4.10 shows the responses of the respondents to the survey questions intended to know to what extent follow-up and corrective measures became the factor for the repeated financial irregularities in implementing audit recommendations.

Accordingly, the responses regarding the statements that the top management did properly follow up the implementation of audit recommendations, the top management did take proper corrective measures, the Parliament did takes corrective measures, and a law enforcement agency did take corrective measures to score a mean of less than 3 (Table 4.10). The mean is greater than 3 for the responses concerning the OFAG makes regular follow-up the implementation of its recommendations, and the Parliament makes follow up the implementation of audit recommendations (Table 4.10) Regarding the standard deviation, it is less than 1.00 for the responses concerning the statement that the Parliament take corrective measures, and law enforcement agencies take legal actions based on the findings of the audit (Table 4.10). It is greater than 1.00 for the rest statements concerning the statement that the top management properly follows up the implementation of the recommendations, top management takes proper

corrective measures, the OFAG makes a regular follow up on the implementation of its recommendations, and a Parliament makes a proper follow up of the implementation of the recommendations (Table 4.10).

Table 4.10 Level of follow up and corrective measure as a factor for repeated financial irregularities in implementing audit recommendations

	Statements	N	Minimum	Maximum	Mean	Std. Deviation
1	The top management of my office properly follow-up the implementation of the audit recommendations.	117	1	5	2.75	1.196
2	The top management of my office takes proper corrective measures when financial irregularities occur.	117	1	5	2.58	1.205
3	The OFAG makes regular follow-up regarding the implementation of its audit recommendations.	117	1	5	3.62	1.040
4	The Parliament makes a follow-up regarding the implementation of audit recommendations by the OFAG.	117	1	5	3.07	1.194
5	The parliament takes corrective measures on the recurring financial irregularities regarding the implementation of audit recommendations by the OFAG.	117	1	5	2.19	.946
6	Law enforcement agencies take legal actions based on the recurring financial irregularities on the audit finding.	117	1	5	2.07	.944

Source: Survey result and own computation

Table 4.11 shows the responses of the respondents to the survey questions intended to know to what extent the level of financial and human resource constraint became the factor for the repeated financial irregularities in implementing audit recommendations. Six survey statements were developed to assess this factor.

Accordingly, the responses regarding the statements that the auditee does not have a budget deficiency, the auditee does appropriately administers its budget, the auditee has qualified employees, the auditee has qualified top management, there is no high turnover of qualified employees in the auditee’s office, and there is no high turnover of qualified top management in the office of the employee had a mean of less than 3 except for the first statement, the auditee does not have a budget deficiency (Table 4.11). This means they disagree with the statements except for the first statement about the absence of budgetary obstacles to implement the audit recommendations in accordance with the recommendations of the OFAG. The standard deviation is greater than 1.00 for all the responses which means the perceptions of the respondents on the survey statements are far apart from each other (Table 4.11).

Table 4.11 Level of financial and human constraint as a factor for repeated financial irregularities in implementing audit recommendations

	Statements	N	Minimum	Maximum	Mean	Std. Deviation
1	My office has no budget deficiency to implement the audit recommendations.	117	1	5	3.56	1.163
2	My office properly administers its budget.	117	1	5	2.71	1.260
3	My office has qualified employees able to implement the audit recommendations.	117	1	5	2.68	1.188

4	My office has qualified top management able to implement the audit recommendations.	117	1	5	2.74	1.294
5	There is no high turnover of employees in my office who have adequate knowledge to implement the audit recommendations	117	1	5	2.15	1.222
6	There is no high turnover of top management in my office who have adequate knowledge for the implementation of the audit recommendations.	117	1	5	2.23	1.045

Source: survey result and own computation

Table 4.12 shows the level of agreement of the respondents to the survey questions intended to identify to what extent the nature of office of the auditees became the factor for the repeated financial irregularities in implementing audit recommendations.

Accordingly, the responses regarding the statements that the existence of many branches does not contribute to the recurring financial irregularities, and the technological status of the offices of the auditees did not contribute to the recurring financial irregularities had a mean of less than 3 (Table 4.12), while the response for the statement that the types of services delivered by the auditees did not hinder the timely implementation of the recommendations scored a mean greater than 3 (Table 4.12). The standard deviation for all three statements is slightly greater than 1 (Table 4.12).

Table 4.12 Level of nature of office as a factor for repeated financial irregularities in implementing audit recommendations

	Statements	N	Minimum	Maximum	Mean	Std. Deviation
1	The existence of many branches under my office doesn't contribute to the recurring financial irregularities in the implementation of audit recommendations.	117	1	5	2.54	1.030
2	The types of services delivered by my office do not hinder the timely implementation of the audit recommendations.	117	1	5	3.26	1.020
3	The technological status of my office does not contribute to the recurring financial irregularities in the implementation of audit recommendations.	117	1	5	2.44	1.038

Source: survey result and own computation

In addition to responses to structured survey questions, study participants noted that the following as the other factors that cause repeated financial irregularities the federal public officers of Ethiopia in implementing recommendations by the OFAG

- The lack of updating government procurement guidelines taking into account current national and international conditions;
- Lack of proper attention to improving audit implementation performance;
- The lack of acknowledging mistakes at the level of senior management;

- Making major purchases by the end of the fiscal year has put the financial system at risk;
- Weak internal audit system;
- Fear of exposure, accountability, and loss of benefits if the audit recommendations are implemented;
- Officials are primarily focused on political work and are less likely to be held accountable for not implementing audit recommendations;
- Inadequate training for new employees;
- Even though the auditees answer why they cannot implement some audit recommendations, the OFAG keeps publishing and recommending the same findings every next year as if they are new findings;

4.2 Discussion of results

In this section, the results of the in-depth interviews and survey questionnaires are interpreted in line with the existing knowledge presented under the literature review chapter. In doing so, the discussions are organized under the main themes of the research questions.

4.2.1 Nature of Audit Recommendations

This theme was designed to identify the inherent problems related to the quality of the audit recommendations of the OFAG that might be contributed to the recurring financial irregularities. It assesses the understandability, implementability of audit recommendations, evidentiality, cost-effectiveness, and language used in the audit recommendations.

Concerning the understandability and evidentiality of the audit recommendations, Wadesango et al. (2017) argue that imprecise audit recommendation is one of the challenges to implement the audit recommendations. One of the measures to solve such impreciseness is supporting the audit recommendations with the necessary evidence that could make it clear and understandable. In this regard, the survey result shows that the audit recommendation of the OFAG is clear to understand by the auditees and sufficiently supported by the necessary evidence (Table 4.9). The in-depth interview also supported this position since the interviewees have responded that they do not have problems with understanding the audit recommendations of the OFAG. Therefore, the repeated failure by the federal public institutions in implementing the audit recommendations was not because the auditees could not understand the recommendations or they found it not supported by necessary evidence to help to implement it accordingly.

With regard to on-time implementability and cost –effectiveness of the audit recommendations, the research by Goboshu (2019) revealed that the audit recommendations by the Office of the Auditor General of Oromia regional state were not action-oriented. Regarding the cost-effectiveness of the recommendations, another research conducted in Oromia by Dugassa (2018) revealed that the audit recommendations of the Office of the Auditor General of the region were cost-effective if implemented. Similarly, the survey result showed that the audit recommendations of the OFAG were not implementable on time but cost-effective if implemented accordingly (Table 4.9). The interview also reveals that some of the recommendations of the OFAG were not implementable since they do not consider the reality on the ground except adhering to the financial rules and regulations.

According to the research by Wadesango et al. (2017), using a negative tone is one of the factors for the non-implementation of audit recommendations. However, the survey result shows that the audit recommendations by the OFAG were free from any offensive expressions which could discourage the auditees to commit themselves to the implementation of the recommendations (Table4.9).

In general, the survey result on the nature of audit recommendations supports that the recurring financial irregularity was not caused because the auditees could not understand the recommendations, or the recommendations fell short of being supported by necessary evidence, or implementing the recommendations was found costly as compared to the intended result of implementing the recommendations, or the auditees were forced not to devote to implement the recommendations due to the offensive languages used in the recommendations by the OFAG. Though, the time provided to implement the recommendations was found to be inefficient to implement in time. In total, the results of the research show that the nature of audit recommendation is not the factor for the recurring financial irregularities in the federal public institutions.

In this regard, the strategic plan for the years 2016 – 2021 of the OFAG emphasizes the need for maintaining the achieved results so far, improving audit quality, building knowledge and skills, and measuring the benefit of implementing audit recommendations in public institutions (OFAG 2020). This measure has a significant impact on the nature of audit recommendations being clear to understand, cost-effective, and evidential as the result of the study shows.

4.2.2 Follow-up and Corrective Measures

This theme was designed to assess the role of the top management of the auditees, the OFAG, law enforcement agencies, and the parliamentary committee with the implementation of the audit recommendations in the federal public offices. Thus, follow-up by the top management of the auditees, corrective measures by the top management of the auditees; follow-up by the OFAG; follow-up by the parliament; corrective measures by the parliament; and legal actions by the law enforcement agencies are assessed under the theme.

With regard to proper follow-up and corrective measures by the top management, the survey result shows that they lack properly following-up the implementation of audit recommendations by the OFAG (Table 4.10). And also, the interview has revealed that some top management of the federal public institutions does not give proper attention to the implementation of the recommendations since they are political assignees. In this regard, the studies by Dugassa (2018), Korje (2016), and Mwilima (2018) concluded that the lack of proper follow-up by the top management of public institutions is one of the factors for the non-implementation of the audit recommendations. The survey also reveals that the top management does not take proper corrective measures when financial irregularities occur (Table 4.10). Similarly, from the empirical reviews, the lack of taking corrective measures by the top management is a factor for the failure in implementing audit recommendations in the public institutions (Tariku & Shibiru 2016; Korje 2016).

According to Dain & Rahamat (2017), and Mwilima (2018), a failure to take a proper follow-up by the OFAG is a factor for the non-implementation of audit recommendations in public institutions. However, the survey result of the study reveals that the OFAG properly follows-up the implementation of its recommendations in the federal public offices (Table 4.10). This means the repeated financial irregularities in the federal public institutions are not because the OFAG fell to make a proper follow-up the implementation of its recommendations.

With regard to taking proper follow-up and corrective measures by the Parliament, the survey shows that the Parliament makes a proper follow-up but does not take corrective measures when non-implementation of the audit recommendations are detected in the federal public institutions (Table 4.10). The research by Goboshu (2019) which was conducted in Oromia also supports the above position when it says the Caffee (the regional council) lacks taking proper corrective

measures against non-implementation of audit recommendations in the public offices of the region. Moreover, the survey result reveals that law enforcement agencies do not take legal actions based on audit findings (Table 4.10). Thus, such failure of the law enforcement agencies is found to be one of the factors for the recurring financial irregularities in federal public institutions.

Generally, the result of the survey and interview shows that lack of follow-up and taking corrective measures by the top management of the federal public offices, and lack of taking corrective measures by Parliament, and the failure of the law enforcement agencies to take legal actions based on the audit findings are the factors for the recurring financial irregularities. Thus, the lack of proper follow-up and taking corrective measures is the factor for the recurring financial irregularities in the federal public offices.

In this regard, Jemberu Molla, the member of the Standing Committee on Public Expenditure Management and Control of the HPRs, while presenting the forum's performance report for the fiscal year 2019 noted that those public institutions in which financial irregularities were detected have shown little commitment to the implementation of audit recommendations (OFAG 2019).

This is also supported by w/ro Woynishet Geleso, the chairman of a performance audit of sub-committee of the Standing Committee on Public Expenditure Management and Control of the HPR, when she said that although most audit firms report that they are motivated to correct audit findings, there are problems in taking objective and appropriate action. They do not appear to be taking basic corrective measures by examining gaps in their institution's audit findings. On the other hand, most, except a few institutions, are reluctant to identify and improve the legal and regulatory frameworks that need to be addressed (OFAG 2019).

In the same way, w/ro Meseret Damte, Deputy General Auditor of the OFAG, during the discussion with the top management of the auditees from May 23 – 24, 2019, said that the auditees do not take actions against officials and employees who do not comply with financial laws and regulations and she added that the main reason for the repeated financial irregularities in implementing the audit recommendations is the lack of taking legal and corrective measures

against top management and employees who fail the implementation of audit recommendations of the OFAG (OFAG 2019).

4.2.3 Financial and Human resource Constraints

This theme was designed to assess whether the Financial and human resource constraints are the factors for the recurring financial irregularities in federal public institutions. It was developed in such a way that enables the respondents to show their degree of agreement regarding the effect of lack of sufficient budget, proper administration of allocated budget, lack of staffs with the required knowledge and skills, absence of qualified top management, turnover of qualified employees and top management in performing the audit recommendations.

Regarding budget deficiency and lack of proper budget administration as factors for the repeated financial irregularities in the federal public institutions, the survey result shows that these public institutions did not face budget deficiency to implement the audit recommendations accordingly even though they have problems in properly administering the budgets allocated to them (Table 4.11). However, the research by Masood & Lodhi (2015) and Mwilima (2018) revealed that lack of financial resources was the factor for the non-implementation of audit recommendations in the public institutions subject to their study.

With regard to the Ministry of Foreign Affairs, the Standing Committee on Public Expenditure Management of the HPRs has reviewed the Ministry's 2017 fiscal year audit findings. In this review forum Auditor General of the OFAG, Gemechu Dubisso, stated that the Ministry has misappropriated 331 million birr without the approval of the Ministry of Finance whereas it did not use 445 million birr out of the total budget allocated to it for the same budget year (Addis Fortune 2019). This shows the existence of budget administration problems in the Ministry.

With regard to having qualified top management and employees able to implement the audit recommendations, the survey result shows that the public institutions lack qualified top management and employees able to implement the audit recommendations by the OFAG (Table 4.11). The interview result also shows that both the top management and the employees of public institutions lack the proper knowledge and skills required to properly implementing audit recommendations by the OFAG. Similarly, some report shows Ethiopia is one of the countries in the world with a critical lack of educated manpower (Opera News Ethiopia Amharic 2020).

The researches by Dugassa (2018) and Mwilima (2018) agree with the above survey and interview results. However, Atuhumuza (2016) argued knowledge does not have a direct relationship with the implementation of audit recommendations.

Concerning the high turnover of top management and the employees, the survey result of the study shows that the high turnover of top management and employees of the federal public institutions are the factors for the recurring financial irregularities in implementing audit recommendations by the OFAG (Table 4.11). The interview result also shows that the high turnover of experienced top management and employees exposes the proper implementation of audit recommendations by the OFAG.

As admitted by Meseret Damte, Deputy Auditor of the OFAG, during her panel discussion from May 23 – 24, 2019 with the top management of the public institutions, the lack of qualified employees and high turnover in the audit unit of the public institutions is one of the challenges to properly monitor financial flows in the public institutions (OFAG 2019). Similarly, top management of the Federal police expressed that the high turnover of employees is found to be its main obstacle to properly execute its mandate (Federal Police Commission 2018).

4.2.4 Nature of office

This theme was designed in a way to assess if the repeated financial irregularities in implementing the audit recommendations by the OFAG were caused by the existence of many branches, the kinds of services the public institution delivers, and the technological status of the public office.

About the types of services delivered in the public office, the survey result shows that the types of services delivered by the public institutions are not the factor for the recurring financial irregularities in implementing the audit recommendations by the OFAG (Table 4.11). Accordingly, the survey result shows that the existence of many branches under a public institution is one of the factors for the recurring financial irregularities (Table 4.12). The research by Probohudodo, Hartanto, & Putra (2018) also confirms that accounting entity numbers affect the implementation of audit recommendations. In connection with the Ministry of Foreign Affairs, many branches operate abroad in addition to its main office in Addis Ababa. It administers the financial accounts of 46 embassies and 14 consular offices stationed across the

globe. In addition, it also runs the accounts of support staff appointed from other agencies serving in various embassies and consular offices. Thus, the Foreign Ministry argues that expenses expended on covering the costs of staff arriving from various embassies are not reimbursed on time, suggesting an audit discrepancy. The Ministry also argues that the financial laws of the countries in which it operates also hinder most of its works since it is sometimes found to be incompatible with the local financial laws and regulations (Addis Fortune 2019).

With regard to the technological status of the public institutions as a factor for the recurring financial irregularities, the survey result shows that the implementation of audit recommendations could be affected by the technological status of the public offices (Table 4.12). The interview result also agrees with the survey result when it discloses that the proper asset registration and documentation of financial documents are highly dependent on the technological status of the public institutions. Therefore, the lack of proper usage of technology affects the implementation of audit recommendations in public offices. This concedes with the research by Masood & Lodhi (2015).

Regarding the effect of technological status, the Federal Police Commission expressed that technology supply is one of its challenges to fulfill its responsibilities assigned to it by the government (Federal Police Commission 2018). The interview from the Ethiopian Geological Survey also showed that the lack of proper documentation of financial documents using technology is one of the factors for the recurring financial irregularities in the institution.

4.2.5 Other Factors

As the respondents of the survey were asked to list down other factors in addition to provided in the survey questionnaires, they listed a number of additional factors. The lack of improving attention to improve the implementation of audit recommendations, the lack of acknowledging mistakes at the level of senior management, huge major purchases by the end of the fiscal year, fear of vulnerability, accountability, and loss of benefits if the audit recommendations are implemented, and inadequate training for new employees. The respondents also identified that the lack of updating government procurement guidelines taking into account current national and international conditions is another contributing factor for the recurring financial irregularities.

With lack of proper attention to improving the implementation of audit recommendations and the lack of acknowledging mistakes at the level of senior management of the auditees, the study by Tariku & Shibiru (2016) confirmed that the lack of interest by the auditees in implementing audit recommendations was one of the factors for the non-implementation of the audit recommendations. The research by Dugassa (2018) also affirmed that conflict of interest, lack of commitment, and less attention on the importance of implementation of audit recommendations were the factors for the failure to implement the recommendations.

Based on document review data, the major problems identified in the accounts of the three federal public institutions, i.e., Foreign Minister, the Federal Police, and the Geological Survey, from 2016 -2018 GC are uncollected/unsettled accounts, expenses without complete evidence, expenses without any evidence, procurement that does not follow the procurement proclamation rules and regulations, an account that has been recorded in expenditure without keeping a proper chart of account (Table 4.2).

Chapter Five

5. Conclusion and Recommendation

The previous chapter presented the interview and survey results and discussions thereof. This chapter presents the conclusion, recommendations, and makes suggestions for further research.

5.1. Conclusion

An audit system being an important mechanism to boost financial management, improve efficiency, effectiveness, and economy, bring transparency, enhance trust, build a democratic system, and ensure proper accountability on the functions of the government, the implementation of audit recommendation will be a crucial and critical issue.

The OFAG is responsible to conduct an independent audit and submit it to the auditee with objective and reliable recommendations including sufficient clarifications based on the findings of the auditor. On the other hand, the audited public office should implement the recommendations. It is in this way that a successful audit ensures accountability of the government and strengthens the ability of the whole public to make the government accountable.

It is highly demanding to know the reason why do the audited entities fail to implement the recommendations as required by the law, and how do the OFAG and the BFASC of the HPR respond to such failures beyond the mere sending of the findings of the audit. Particularly in poor countries, such as Ethiopia, where the source of the annual budget is largely foreign loan and aid funds, having a strong auditing system and monitoring organ that attempts for the implementation of the recommendations of the audit is not a choice but a mandatory task for all the auditing institution, the OFAG, the auditees, and the monitoring organ.

As can be understood from the literature Some of them have tried to approach the question of non-implementation of audit recommendations only from the perspective of external auditor view while some others only from the internal auditors perspective. Most of them have tried to assess the general factors that affect the implementation of the audit recommendations. none of these researches have tried to assess the main factors for the recurring financial irregularities in the public institutions that frequently failed in implementing the audit recommendations. Hence, the study to assess the factors for repeated financial irregularities in federal Public Offices in Ethiopia in implementing recommendations by the OFAG is caused by the nature of the audit

recommendation, lack of follow up and corrective measures, financial and human resource constraints, the nature of office, and other factors.

The study employs exploratory mixed methods research approach. Under the qualitative aspect, five in-depth interviews were conducted in three offices subjected to this study: documentary analyses were also conducted. The quantitative aspect employed survey design; survey participant was selected using a purposive sampling technique. To analyze the collected data, a descriptive data analysis method is used such as mean and standard deviation. The results of the study showed the following:

Firstly, the nature of audit recommendation, the study shows that the OFAG audit recommendations are understandable, evidential, cost-effective, and free from threatening expressions. However, it is found to be difficult to implement the recommendations in accordance with the recommendations of the OFAG. Therefore, from the cumulative point of view, the nature of audit recommendations was not the main factor for the repeated failure in implementing the audit recommendations by the auditees.

Secondly, follow-up and corrective measures, the study revealed that the main factors for the recurring financial irregularities under this theme are the failure of top management of the auditees in taking proper follow-up to enforce the audit recommendations and the failure of top management and the standing committee of the parliament to take corrective measures on non-compliance to the recommendations, and the failure of the law enforcement agencies to take legal actions based on the audit recommendations of the OFAG.

Thirdly, financial and human resources constraints, the study shows that inefficient budget administration, lack of qualified top management and employees able to implement the recommendations, and the presence of high turnover of top management and employees are the main factors for the repeated financial irregularities in the federal public institutions.

Fourth, the nature of office, the study identified that the presence of many branches and the technological status of the public institutions are the factors for the recurring financial irregularities in these public institutions.

Therefore, According to this study lack of proper follow-up and corrective measures, financial and human resources constraints and nature of office of the public institutions are the main factors for repeated financial irregularities in federal Public Offices in Ethiopia in implementing audit recommendations by the OFAG.

5.2. Recommendations

This part presents some recommendations that are suggested as a solution to decrease repeated financial irregularities in implementing audit recommendations. Therefore, the following recommendations are given as solutions to the problems identified through the study.

- To mitigate the impact of follow-up and corrective measure, it needs to make sure that the assigned top management has proper knowledge and skills than looking to their political loyalty only. The concerned top management members should seriously identify factors play for recurring financial irregularities and work towards solving them. And incorporate such efforts in the performance appraisal to encourage other workers to gives proper attention towards solving such recurring failures. The House of Peoples' Representatives should go beyond mere follow-up, and take appropriate corrective measures against those who repeatedly fail to implement audit recommendations. Law enforcement agencies, in collaboration with the OFAG and the House of Peoples' Representatives, should conduct regular investigations into public institutions that repeatedly fail to implement audit recommendations.
- To mitigate financial and human constraints, the government should work to mitigate the high turnover of top management and employees. One of the reasons for such kind of turnover of experienced top management and employees is the huge difference of salaries and allowances in different public offices for the same work. Therefore, the government needs to follow similar or the same pay scheme for the same work in different public institutions. Also, identifying those employees who need long and short training and providing such opportunities would enhance performance capacity and encourages employees to work towards solving such recurring failures, and also reduces labor migration from one public office to others. And also, the government should, as much as possible, follow the procedure of appointing top management in a single office in a stable manner.

- To solve the problems related to the nature of office, improving the financial document management system, making the document office easier to file and assigning the appropriate documentation staff, and providing proper information management training will help to solve the problems.

5.3. Suggestion for Further Study

The researcher suggests further study on the following areas:

1. Universities are among the most frequently criticized institutions for not implementing audit recommendations accordingly. However, they could not be included in this study because they were closed due to the COVID-19. Therefore, further research is needed on why universities repeatedly fail to implement audit recommendations.
2. The parliament and law enforcement organs play a vital role in the proper implementation of audit recommendations. However, these bodies were not included in the study to determine the scope of the study. Therefore, it is important to do research that includes these institutions.

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Appendix I: Survey questioner and interview guidance in English language

Addis Ababa University
College of Business and Economic
Department of Accounting and Finance
Survey Instrument

Dear Participants

The title of this thesis is “**Implementation of Office of Federal Auditor General recommendations in Ethiopia: Factors for recurring financial irregularities**”. The name of the researcher is Amlake Semagne, who is currently MSc student in Department of Accounting and Finance at Addis Ababa University. The aim of this project is to assess the main factors for repeated financial irregularities in federal public offices in Ethiopia in implementing audit recommendations by the OFAG. This questionnaire is prepared to supplement the data obtained from other sources.

This survey questionnaire is being distributed to get relevant information from respondent and participant is totally voluntary. The investigator respectfully requests your kind cooperation in answering the whole question as frankly as possible and your response will be recorded anonymously and strict confidentiality will be maintained.

For further information, please contact the researcher using the following address:

Tel. (mobile): +251-911-927749

E-mail: sofonyasamlake@gmail.com

Thank you in advance

Part -I: Background questions

1. Gender

Male 1 Female

2. Age

18 - 25 1 36 – 45 56 and above 5

26 – 35 2 46 – 55 4

3. Your field of study

Accounting 1 Economics
 Management 2 Auditing
 Others 5, Please Specify _____

4. Highest level of education achieved :

Certificate 1 First Degree
 Diploma 2 Graduate Degree or more 4
 Others 5, Please Specify _____

5. Current job Occupation:

Accountant 1 Finance director 3
 Internal Auditor 2 Internal Audit director
 Others 5, Please Specify _____

6. How long did you work with your current job occupation:

Less than 2 years 1 4-6 years 3
 2-4 years 6-10 years
 Others 5, Please Specify _____

Part II - IV

Please indicate your level of agreement on the following statements by ticking the appropriate number using the key given below. Note that, in responding to the following questionnaires, 1= Strongly Disagree (SD); 2 = Disagree (D); 3= Neutral (N); 4= Agree (A), and 5 = Strongly Agree (SA).

No.	Survey questions	SD	D	N	A	SA
		1	2	3	4	5
Part II : Nature of Audit						
7.	The audit recommendations by the Office of the Federal Auditor General (OFAG) to my office are clear to understand.					
8.	I believe that the audit recommendations by the OFAG are well implementable on time.					
9.	The OFAG audit recommendations are well supported by the necessary evidence.					

10.	I find the audit recommendations as cost-effective if implemented accordingly.					
11.	The audit recommendations are free from over tone or any threatening expressions.					
Part III : Follow-up and Corrective Measures						
12.	The top management of my office properly follow-up the implementation of the audit recommendations.					
13.	The top management of my office take proper corrective measures when financial irregularities occur.					
14.	The OFAG makes regular follow-up regarding the implementation of its audit recommendations.					
15.	The Parliament makes a follow-up regarding the implementation of audit recommendations by the OFAG.					
16.	The parliament takes corrective measures on the recurring financial irregularities regarding the implementation of audit recommendations by the OFAG.					
17.	Law enforcement agencies take legal actions based on the recurring financial irregularities on the audit finding.					
Part IV: Financial and Human Resource Constraints						
18.	My office has no budget deficiency to implement the audit recommendations.					
19.	My office properly administers its budget.					
20.	My office has qualified employees able to implement the audit recommendations.					
21.	My office has qualified top management able to implement the audit recommendations.					
22.	There is no high turnover of employees in my office who have					

	adequate knowledge to implement the audit recommendations.					
23.	There is no high turnover of top management in my office who have adequate knowledge for the implementation of the audit recommendations.					
Part V: Nature of office						
24.	The existence of many branches under my office doesn't contribute to the recurring financial irregularities in the implementation of audit recommendations.					
25.	The types of services delivered by my office do not hinder the timely implementation of the audit recommendations.					
26.	The technological status my office does not contribute to the recurring financial irregularities in the implementation of audit recommendations.					

Part VI: Other main contributing factors

Please mention or discuss in the blank spaces provided below if there is/are other factor/s that you think as main factor/s for the recurring financial irregularities by the federal public offices in implementing recommendations by the office of the federal auditor general.

I thank you for taking time to fill these questionnaires to your best knowledge.

አዲስ አበባ ዩኒቨርሲቲ
ቢዝነስ እና ኢኮኖሚክስ ኮሌጅ
አካውናንቲንግ እና ፋይናንስ ዲፓርትመንት
የዳሰሳ ጥናት

ውድ የጥናቱ ተሳታፊዎች፤

ይህ የመመሪያ ጥናት “Implementation of Office of Federal Auditor General recommendations in Ethiopia: Factors for recurring financial irregularities” በሚል ርዕስ የሚካሄድ ሲሆን ጥናቱን የማካሄደው አምላኬ ሰማኝ እባላለሁ በአዲስ አበባ ዩኒቨርሲቲ አካውናንቲንግ እና ፋይናንስ ዲፓርትመንት ውስጥ የሁለተኛ ድግሪ ተማሪ ስሆን የጥናቱ ዓላማ የፌዴራል ዋና አዲተር ለፌዴራል መ/ቤቶች የሚሰጣቸው የአዲት ምክራ-ሀሳቦች (Audit Recommendations) በተደጋጋሚ ሳይፈጸሙ ለመቅረታቸው ዋና ምክንያቶቹ ምን እንደሆኑ መለየትና መገምገም ነው። ይህ የዳሰሳ መጠይቅም ከሌሎች የመረጃ ምንጭ ከተሰበሰቡ መረጃዎች ጋር ተዳምሮ የምርምሩን ስራ ውጤታማ ለማድረግ የታሰበ ነው። ይህ መጠይቅ የሚሞላው በፍፁም ፍቃደኝነት ላይ ተመስርቶ ሲሆን የሚገኘውም መረጃ ከጥናቱ ውጪ ለምንም ዓላማ የሚውል አይደለም። የሚሰጡት መረጃ ፍፁም ሚስጢራዊ በሆነ መልኩ የሚያዝና በጥናት አድራጊው ብቻ ለዚህ ጥናት ዓላማ ብቻ የሚያገለግል ይሆናል። በመሆኑም ሁሉንም ጥያቄዎች በፍፁም ታማኝነት የሚያውቁትን ያህል እንዲመልሱልኝ በአክብሮት እጠይቃለሁ።

ለተጨማሪ መረጃ ጥናት አድራጊውን ማግኘት ቢፈልጉ በሚከተሉት አድራሻዎች ይገኛል፡-

ስልክ +251911927749

Email- sofoniasamlake@gmail.com

በቅድሚያ ጥናቱ ላይ ተገቢውን ትብብር ስለአደረጉልኝ አመሰግናለሁ ።

ክፍል -1: ግላዊ መረጃዎች

እባክዎ ትክክለኛ ነው የሚሉትን መልስ ከባዶ ሳጥኑ ቀጥሎ የተሰጠውን ቁጥር በመክበብ ያመልክቱ።

1. ጾታ

ወንድ 1 ሴት

2. እድሜ

18 - 25 1 36 - 45 3 56 እና ከዚያ በላይ 5
 26 - 35 2 46 - 55

3. የአጠኑት የትምህርት አይነት

አካውንቲንግ 1 ኢኮኖሚክስ 3
 ማኔጅመንት 2 ኮሚዩኒኬሽን 4

ሌላ 5 እባክዎትን ምን እንደሆነ ይግለጹት _____

4. የከፍተኛ የትምህርት ደረጃ

ሰርትፍኬት 1 የመጀመሪያ ድግሪ
 ዲፕሎማ 2 ሁለተኛ ዲግሪ እና ከዚያ በላይ
 ሌላ 5

እባክዎትን ምን እንደሆነ ይግለጹት _____

5. በአሁኑ ሰዓት የስራ ድርሻዎ

አካውንታንት 1 የፋይናንስ ዳይሬክተር 3
 የውስጥ ኮሚተር 2 የውስጥ ኮሚተር ዳይሬክተር
 ሌላ 5

እባክዎትን ምን እንደሆነ ይግለጹት _____

6. ለስንት አመት አሁን ባለው የስራ ድርሻ ስርተዋል።

ከ2 ዓመት በታች 1 4-6 ዓመት
 2-4 ዓመት 2 6-10 ዓመት 4
 ሌላ 5 እባክዎትን ምን እንደሆነ ይግለጹት _____

ክፍል II - IV

በዚህ ክፍል ለቀረቡት ጥያቄዎች ከታች በተብራራው መሰረት በጥያቄዎቹ ላይ ያለዎትን የመስማማት ደረጃ እያንዳንዱ ደረጃ የተወከለበትን ቁጥር በሰጥኖቹ ውስጥ በመጻፍ ወይም ✓ በማድረግ ያመልክቱ። 1= በጣም አልሰማማም (በአ)፣ 2 = አልሰማማም (አ)፣ 3= አቋም አሊዘበትም (አአ)፣ 4= እስማማለሁ (እ)፣ እና 5 = በጣም እስማማለሁ (በእ)።

ተ.ቁ	የዳሰሳ ጥናት ጥያቄዎች	በአ	አ	አአ	እ	በእ
		1	2	3	4	5
ክፍል II : የኦዲት ሪፖርትን ባህሪ (Nature of Audit report) በተመለከተ						
7.	የፌዴራል ዋና ኦዲተር የሚልክልን የኦዲት ምክራ-ሀሳቦች ግልፅ ስለሆኑ ለመረዳት ችግር አያጋጥመንም።					
8.	በእኔ እምነት በዋናው ኦዲተር የሚላኩት የኦዲት ምክራ-ሀሳቦች ለመፈፀም የሚችሉ (Executable) ናቸው ።					
9.	ዋናው ኦዲተር የሚልክልን የኦዲት ምክራ-ሀሳቦች በአስፈላጊ ማስረጃዎች የተደገፉ ናቸው።					
10.	የሚላኩልን የዋናው ኦዲተር የኦዲት ምክራ-ሀሳቦች ቢፈፀሙ ለመፈፀም ከሚወጣው ወጪ እንጻር አዋጭ ናቸው።					
11.	ዋናው ኦዲተር የሚልካቸው የኦዲት ምክራ-ሀሳቦች ከማስፈራርያ፣ ኃይለ ቃለ፣ ወይም አስቆጪ ከሆኑ ገለጻዎች የጸዱ ናቸው።					
ክፍል III : ክትትልና የማስተካከያ እርምጃን (Follow-up and Corrective Measures) በተመለከተ						
12.	የመ/ቤታችን የበላይ አመራሮች በዋናው ኦዲተር የተሰጡ የኦዲት ምክራ-ሀሳቦች በሙሉ እንዲፈፀሙ አስፈላጊውን ክትትል ያደርጋሉ።					
13.	የመ/ቤታችን የበላይ አመራሮች ዋናው ኦዲተር የሰጠው የኦዲት ምክራ-ሀሳቦች በአግባቡ ካልተፈፀሙ የእርምጃ እርምጃ ይወስዳሉ።					
14.	ዋናው ኦዲተር መ/ቤት የሰጠው የኦዲት ምክራ-ሀሳብ በአግባቡ ስለመፈፀሙ መደበኛ ክትትል ያደርጋል።					
15.	የህዝብ ተወካዎች ም/ቤት ዋናው ኦዲተር የሚሰጣቸው የኦዲት ምክራ-ሀሳቦች በትክክል ስለመፈፀማቸው ክትትል ያደርጋል።					

ተ.ቁ	የዳሰሳ ጥናት ጥያቄዎች	በአ	አ	አአ	እ	በእ
		1	2	3	4	5
16.	የህዝብ ተወካዮች ምክርቤት ዋናው ኦዲተር የሰጠው የኦዲት ምክራ-ሀሳብ በአግባቡ ሳይፈጸም ሲቀር አስፈላጊውን የእርምጃ እርምጃ ይወስዳል።					
17.	ህግ አስፈጻሚው አካል የዋናው ኦዲተር የኦዲት ግኝቶችን መሠረት በማድረግ አስፈላጊውን የህግ እርምጃ ይወስዳል።					
ክፍል IV: ፋይናንስና የሰው ሀብትን በተመለከተ (Financial and Human Resource Constraints)						
18.	በዋናው ኦዲተር የሚሰጡ የኦዲት ምክራ-ሀሳቦችን ለመፈጸም ቢሮዬ ያጋጠመው የበጀት እጥረት የለም።					
19.	ቢሮዬ የሚመደብለትን በጀት በማስተዳደር በኩል ምንም ችግር የለበትም።					
20.	በዋናው ኦዲተር የሚሰጡትን የኦዲት ምክራ-ሀሳቦች ለመፈጸም ቢሮዬ በቂ ችሎታና ክህሎት ያላቸው ሰራተኞች አሉት።					
21.	ቢሮዬ ዋናው ኦዲተር የሚሰጣቸውን የኦዲት ምክር - ሀሳቦች በአግባቡ ማስፈጸም የሚችሉ የበላይ አመራሮች አሉት።					
22.	ዋናው ኦዲተር የሚሰጣቸውን የኦዲት ምክራ-ሀሳቦች መፈጸም የሚችሉ እውቀትና ክህሎት ያላቸው ሰራተኞች በብዛት ቢሮአችንን ሲለቁ አይታይም።					
23.	ዋናው ኦዲተር የሚሰጣቸውን የኦዲት ምክራ-ሀሳቦች መፈጸም የሚችሉ እውቀትና ክህሎት ያላቸው የበላይ አመራሮች በብዛት ቢሮአችንን ሲለቁ አይታይም።					
ክፍል V: የቢሮ ሁኔታ (Nature of office)						
24.	ዋናው ኦዲተር ለቢሮዬ የሰጣቸው ምክራ-ሀሳቦች በተደጋጋሚ					

ተ.ቁ	የዳሰሳ ጥናት ጥያቄዎች	በአ	አ	አአ	እ	በእ
		1	2	3	4	5
	ሳይፈፀሙ ለመቅረታቸው በቢሮአችን ስር ብዙ ቅ/ጽ/ቤቶች መኖራቸው ያስከተለው ችግር አይደለም።					
25.	ቢሮአችን የሚሰጣቸው የአገልግሎት ዓይነት ዋናው ኦዲተር የሚሰጣቸው ምክረ-ሀሳቦች በአግባቡ ላለመፈፀማቸው ምክንያት አይደለም።					
26.	ዋናው ኦዲተር የሚሰጣቸው ምክረ-ሀሳቦች በአግባቡ ላለመፈፀማቸው ምክንያቱ የቢሮአችን የቴክኖሎጂ አጠቃቀም ሁኔታ አይደለም።					

ክፍል VI: በመጠይቁ ያልተካተተ ተጨማሪ ምክንያት ካለ

በመጨረሻም በእርስዎ እምነት ቢሮዎ በዋናው ኦዲተር የሚሰጡትን የኦዲት ምክረ-ሀሳቦች በተደጋጋሚ ላለመፈፀሙ ምክንያት/ቶች ከላይ በመጠይቁ ውስጥ ከተዘረዘሩት ምክንያቶች ውጪ ነው ወይም መጨመር አለባቸው የሚሏቸው ምክንያቶች ካሉ እባክዎ ከታች በተሰጠው ክፍት ቦታ ላይ ይዘርዝሯቸው።

ጊዜዎን ወስደው መጠይቁን ስለሞሉልኝ ከልብ አመሰግናለሁ