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ADDIS ABABA UNIVERSITY
COLLEGE OF BUSSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING & FINANCE

Effectiveness of performance Audit in Addis Ababa Audit office

Sector: public sector

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A project proposal submitted to Department of Accounting and Finance,
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fulfillment of the requirements for the MSC Degree in Accounting and
Auditing

June, 2025

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF ACCOUNTING AND FINANCE,
COLLEGE OF BUSINESS & ECONOMICS

This is to certify that the Project entitled, "Effectiveness of performance Audit in Addis Ababa Audit office under the supervision of Dr. Abebaw Kassie (PHD), submitted in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Auditing complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Declaration

I, BETHEL HADDIS, hereby declare that the project entitled **EFFECTIVNESS OF PERFORMANCE AUDIT: IN CASE OF OFFICE OF ADDIS ABABA AUDIT OFFICE GENERAL** and submitted in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Auditing is my original work and has not been presented for a degree in any other University and that all sources of material used for the project have been duly Acknowledged.

Name Bethel Haddis

Signature  _____

Place: Addis Ababa Date of Submission: June, 2025

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Acronyms

AAAOG -Addis Ababa Audit office General

AOG - Audit Office General

PA - Performance Audit

3E - economy and Effectiveness, Efficiency

SPSS - Statistical Package for Social Science

INTOSAI -International Organization of Supreme Audit Institutions

PAE -Performance Audit Effectiveness

AFROSAI-E English –speaking African organization of supreme audit institution

Abstract

This project examines the effectiveness of performance auditing in the public sector, focusing on the Addis Ababa Audit Office General (AAAOG). Performance audits are instrumental in promoting transparency, accountability, and efficient public resource utilization. However, the effectiveness of these audits often depends on a range of organizational and operational factors. This research aims to identify the key factors influencing performance audit effectiveness, including auditor competency, audit criteria, management and supervisory support, cooperation from auditees, adherence to audit standards, and post-audit follow-up mechanisms. Using a descriptive research design, data were collected from performance auditors, auditees, through structured questionnaires. Quantitative data were analyzed using SPSS, applying descriptive statistics and frequency analysis. The findings revealed that while AAAOG has demonstrated strong performance in executing planned audits, challenges remain, predominantly concerning inadequate compensation, limited feedback mechanisms, and audit resource constraints. Nevertheless, high levels of auditor awareness, established audit standards, and strong cooperation from auditees have positively influenced audit outcomes. The study concludes that enhancing auditor training, improving managerial feedback systems, and addressing compensation gaps are critical for strengthening performance audit effectiveness. Recommendations include increased investment in auditor capacity, refinement of performance audit manuals, and institutional reforms to reinforce post-audit accountability. These findings contribute to the improvement of public sector governance and resource management in Ethiopia

Key words: Effectiveness of Performance audit & Addis Ababa Audit office General

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CHAPTER ONE

1. Introduction

1.1. Background of the study

Public sector is the part of the economy that is owned and operated by the government. It includes public service and public enterprises that provide goods and service such as health care, social welfare and infrastructure development. The main purpose of the public sector is to provide services that are considered essential for wellbeing of society (Albrecht, P. 2012).

According to information of Addis Ababa city Administration it is government executive organ of the Addis Ababa which is found in 1886 (Retrieved from <http://cityaddisababa.gov.et>). The city Administration had under its control of 46 bureau and 11 sub cities under it there are 3 branches chief executive officer, cabinet and manger of the sub city (33) and 116 woreda (Proclamation No. 74/2014).

Addis Ababa city council administration approved 70.6 billion birr annual budget for 2013 E.C year, in 2014 E.C 100.05 billion birr and in 2015 E.C 140.2 billion birr. From the total budget total budget most of it is allocated to capital expenditure except in 2013. in 2013 E.C 33.5 billion, in 2014 E.C 54.87 billion birr and in 2015 E.C 77.99 birr (Retrieved from <http://www.aabof.gov.et>).

AAOFG had mandate given to carry out performance audit on proclamation No. 77/2022. the office perform both an ordinary and project (Proclamation No. 77/2022, 31th year No. 50).

According to International organization of supreme Audit Institution (2019), Performance auditing is an independent, objective and reliable examination of whether government undertakings, systems, operations, programmers, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement (Retrieved from www.issai.org).

The objective of performance audit in public sector is to assess that public sectors are utilizing the scarce resource for the intended purpose. Performance audit is important to maintain transparency and accountability. It improves the effective utilization of scarce resources and improves the

performance of public services. Performance audit is also applicable in early stage of large projects, this helps to identify the performance at early stage of the project whether it needs improvements or cease the project. Performance audit is important because it assesses all parts of the projects, activities and programs. It assesses in detail the manpower, the systems and planning (External Audit Project, 2003)

Effectiveness of performance audit can be examined using different factors, such as skills of auditors, cooperativeness of the auditee, criteria used by the auditor, timeliness of the audit recommendation and post audit (Yodit Birhanu 2016, Kaleb Fekade, 2020, Tadele Dereje, 2012).

Therefore this study assesses the effectiveness of PA in AAAOFG in public sector by using the factors identified earlier.

1.2. Statement of the problem

Performance audit is a means by which the government assesses public sectors and projects are using their scarce resources economically, effectively and efficiently. The importance of Performance audit is that accountability in sectors will enhance and by identifying the problems provide solutions. Government also uses the report to make economic decisions.

AAAOG started performance audit recently. It had only 21 employees. The office performs performance audit in ordinary cases and when there is suggestion by different governmental entities that there are misuse of public resources.

The effectiveness of performance audit is assessed by different mechanisms: competency of the auditors, timeliness, and applicability of the framework and follow up audits (post audit) (Yodit Birhanu 2016, Kaleb Fekade, 2020).

Effectiveness of performance studies are made in different countries such as Saudi Arabia, Bangladesh, Kuwait and Nigeria. Each study identified different factors and provides insights for new research and to identify key performance indicators. The indicators might vary from country to country but some factors are common like timeliness of recommendations and post audits and skilled manpower (Mohammad Al Faraj (2009), Omigie Obehi Samuel).

Few studies are made in Ethiopia related to effectiveness of performance audit. For instance Kaleb (2020), study by on assessment effectiveness of PA in ERA, According to Kaleb (2020), the

auditors skill do not much the objective of PA and to develop their skills managements should provide trainings. Another study made by Yodit (2016) the factors such as legal mandates, adequate & competent professional, post audit follow ups affect performance audit.

Therefore most existing studies have focused predominantly on federal institutions, with limited attention to sub-national audit offices such as the Addis Ababa Audit Office, despite its crucial role in overseeing the capital's extensive and complex public sector activities.

1.1. Research objectives

1.1.1. General objective

The General objective of the study is to assess the effectiveness of performance audit in Addis Ababa Audit Office General.

1.1.2. Specific objectives

1. To assess whether performance audits conducted by the Addis Ababa Audit Office General apply appropriate and relevant criteria aligned with the principles of economy, efficiency, and effectiveness (3Es).
2. To examine the extent to which the competency of performance auditors at the Addis Ababa Audit Office General contributes to effective and efficient audit outcomes in the public sector.
3. To analyze how the cooperation of public sector auditees influences the efficiency and timeliness of performance audits conducted by the Addis Ababa Audit Office General.
4. To evaluate the effectiveness of the post-audit follow-up process at the Addis Ababa Audit Office General and the role of oversight bodies in ensuring public sector accountability.
5. To determine the extent to which audit plans are fulfilled by the Addis Ababa Audit Office General and what this indicates about the operational efficiency of the office in auditing the public sector

1.2. Research Questions

1. Do performance audits conducted by the Addis Ababa Audit Office General apply appropriate and relevant criteria aligned with the principles of economy, efficiency, and effectiveness (3Es)?
2. Does the competency of performance auditors at the Addis Ababa Audit Office General contribute to effective and efficient audit outcomes in the public sector?
2. How does the cooperation of public sector auditees influence the efficiency and timeliness of performance audits conducted by the Addis Ababa Audit Office General?
3. How effective is the post-audit follow-up process at the Addis Ababa Audit Office General, and what role do oversight bodies play in ensuring public sector accountability?
4. To what extent are audit plans fulfilled by the Addis Ababa Audit Office General, and what does this indicate about the operational efficiency of the office in auditing the public sector?

4.1. Scope of the study

The study aims to evaluate the effectiveness of PA of AAAOG. The elements used to measure effectiveness of performance audit are Relevance of Audit Topics (Auditing irrelevant or low-priority areas wastes resources and reduces impact on public value), Clarity and Realism of Audit Objectives (Vague or unrealistic objectives can lead to confusion, incomplete findings, or unhelpful conclusions), Audit Quality (Poor methodology can lead to incorrect or unsubstantiated findings, damaging credibility), Impact on Economy, Efficiency, and Effectiveness (3Es) (An audit is only effective if it contributes to better performance in one or more of the 3Es), Timeliness of the Audit (Timely delivery ensures recommendations are still useful in the current operational or policy context) and Follow-Up and Monitoring (Without follow-up, it's hard to determine whether the audit had a lasting impact). These elements evaluate the effectiveness of performance audit. The aim of performance audit is to assess the auditee is performing effectively, efficiently and economically towards its goal), communication or cooperativeness of the auditee (if there is good communication and the auditee is providing necessary information/ evidence that are needed by the auditor on time

the audit will be completed on time), follow up audit(after completion of the audit follow up should be done to correct basic findings based on recommendation given).To assess these the study analyzed performance audits conducted by AAAOG on public sectors that had mandate to perform in the past 3 years from 2020-2023 fiscal years, because the number of PA performed prior these years are very less and new structure been made in 2020.To assess the effectiveness the study use respondents from AAAOG, internal supervisors and other external respondents like clients, House of people Representatives. The main issues raised are to identify the effectiveness and factors that hinders the effectiveness of PA both in ordinary and project and provide recommendation.

1.4 Significance of the study

Addis Ababa audit office General will be able to use the result for improving effectiveness by identifying the gap. House of People Representative will be able to use the result to plan to refine the capacity of performance audit. This study also will provide baseline information to other researchers to work further in related to Addis Ababa audit office General.

1.5 Limitation of study

One limitation of this study is the exclusion of audited entities (auditees) from the primary data collection process. Direct feedback from auditees would have provided deeper insights into their level of cooperation and perceptions regarding the effectiveness of performance audits. However, this limitation was mitigated by using indirect indicators based on internal audit documentation. Specifically, the study examined time sheet data (budgeted versus actual audit time), which is routinely recorded by auditors. Variations between planned and actual time often result from delays or inefficiencies caused by auditee non-responsiveness, lack of documentation, or limited support. As such, while the cooperativeness of auditees was not assessed through direct survey or interview methods, it was inferred through operational records maintained by performance auditors. This approach offers a practical proxy for evaluating auditee cooperation in the audit process, though future research is encouraged to incorporate auditee perspectives for a more comprehensive assessment.

1.6 Organization of the study

This study is organized into five chapters: Chapter Two: Review of Related Literature reviews both theoretical and empirical literature relevant to performance auditing. Key concepts such as

audit effectiveness, auditor competency, audit standards, management support, and audit objectives are discussed. The chapter also identifies gaps in the existing literature and presents the conceptual framework that guides the study. Chapter Three: Research Methodology This chapter explains the research design and methodology used in the study. Chapter Four: Results and Interpretations, It examines the relationship between auditor competencies, adherence to audit standards, management support, clarity of audit objectives, and the overall effectiveness of performance audits. The findings are discussed in light of existing literature and the research framework. Chapter Five: Summary, Conclusions, and Recommendations draw conclusions regarding the effectiveness of performance auditing in AAAOG, and offers practical recommendations for improvement.

CHAPTER TWO

2. Literature Review

The literature review part covers related research previously done on assessment of performance audit. It includes theoretical review, empirical review and knowledge gaps.

2.1 Theoretical Literature

The theoretical part of the literature provides insight about the performance audit. All the definition elements and participants are stated in the manual of the AAAOG.

2.2.1. Definition of performance audit

Different scholars define performance audit using different terms. There is no universal definition of PA. 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. Performance audit is intended to be a broad, constructive examination and diagnosis of policies, organization and operations of a government entity. It calls for appraisals of an organization to compare accomplishments with plan, results with standards, and practice with policy. The objective is to arrive at a dispassionate and verifiable basis for comparing what is being done (and how well it is being done) with the plans, policies and standards and, most importantly to understand the reasons for positive or negative variance from those plans, policies and standards.

2.2.2 Objective of performance audit

The objective of a performance audit is multifaceted, aiming to uphold and enhance public accountability while fostering improvements in accountability mechanisms. By bolstering the reporting of relevant supervising authorities to the legislature regarding the performance of government entities, projects, and initiatives, these audits serve as a catalyst for positive change in resource management and the attainment of value for money. They not only push for enhanced value for money within governmental bodies where deficiencies are identified but also spotlight high-performing organizations as potential models for others to follow. Furthermore, performance audits play a crucial role in offering independent information, advice, and assurance on revenue, expenditure, and resource management, known as the 3Es. By pinpointing areas for enhancement

and demonstrating cost-effective solutions, these audits aim to prompt audited entities to take necessary actions to drive improvement.

2.2.3 Elements of performance audit

Economy: it is acquiring and protecting the right quantity and quality of resources (e.g., staff, materials, equipment) at the right time, at the lowest possible cost. For example, lack of economy could cause excessive costs, or poor quality, or undue delays, of goods and services bought

Effectiveness: maximizing the output (goods/services produced) from a given level of resource inputs; or alternatively, minimizing the inputs for a given level of output. For example, lack of efficiency could result in lesser output, or poorer services, for the same amount of costs incurred; or, alternatively, higher costs, or long time, for the same amount of goods and services produced.

Efficiency: it is ensuring that the output (goods or services) is produced as planned, and/or achieved the desired results. For example, lack of effectiveness could result in outputs of goods or services falling short of targets, and/or falling to achieve the desired objectives.

2.2.4 Importance of performance audit

An effective audit program exists and has the support of an organization's management, it will have a very beneficial effect on how the available human resources, materials, equipment and other inputs are assigned and used. The importance of a performance audit is evident in the six major benefits it offers. Firstly, it provides clarity regarding the aims and objectives of programs and projects, ensuring a clear direction for all stakeholders involved. Secondly, it enhances the quality of planning across all levels, leading to more efficient and effective strategies. Furthermore, it establishes clear agency responsibility and authority for executing approved plans, thereby streamlining decision-making processes. Additionally, performance audits improve the quality and effectiveness of program execution in alignment with approved plans. They also contribute to enhancing the quality of internal administration and progress reporting, ensuring transparency and accountability. Lastly, performance audits help in achieving desired results in comparison to pre-established cost and other objectives at various organizational levels. Overall, the benefits of performance audits encompass improved clarity, enhanced quality, and effective results across organizational functions, making them a vital component of organizational effectiveness and efficiency.

2.2.5 Difficulties in performance audit

Performance auditing faces challenges in public organization due to overuse, lack of legal mandate and limited access to information. It is often not enabling legislation, making auditees' management less important. Additionally performance auditing objectives are often vague and require clear and unanimous criteria for successful audit.

2.2.6 Types of performance audit

Performance audit can be divided into four categories

Selective investigations: These are carried out in cases where there are signs of possible serious waste, extravagance, inefficiency, ineffectiveness or weakness in control. The investigations are confined to examining whether criticism is justified, examining causes and considering action taken or needed to introduce improvements.

Major broad-based investigations: These kinds of investigations focus on the whole audited body or of important activities or programs. These may serve to give assurance in major areas where arrangements are found to be satisfactory and no criticism is justified, as well as to draw attention to material weaknesses in control or achievement and their consequences.

Major examinations of standard managerial operations: These tend to follow common patterns or procedures or established good practice. Here, the audit office selects an audit area, such as cash management, construction, procurement, etc., and audits the issue across all of government, or across all major departments involved in the activity. These are sometimes called 'sectoral' audits.

Smaller scale, ad-hoc investigations: These types of investigations are directed towards producing useful improvements in value for money in specific projects or activities. These may help strengthening systems and fostering cost-consciousness.

2.2.7 Roles and Responsibilities of performance audit

Performance audit involves various participants, including the Auditor-General, Deputy General Auditor, Department Head, Division Head, Team Leader and Audit Team. The Auditor General

approves the audit proposal, makes final Decisions on Report and Reviews it for publication. The Department Head agrees protocols with audited entities and external parties, assists in gaining access and reviews the proposal, plan, summary of findings and draft report. The Division Head assigns staff to the audit team, approves engagement with consultants and provides senior management oversight. The Team leader ensures the audit is conducted in accordance with the manual keeps the division head informed of Developments, manages progress against the plan and communicates with the audited entity and external communications. The audit team undertakes the audit in accordance with the manual, works collaboratively, maintains open communication and takes positive approach to resolving disagreements.

2.2.8 Performance audit process

The performance audit process involves several key phases that ensure a comprehensive assessment of organizational practices. The planning phase initiates the process by establishing relationships with the auditee, gaining insights into the organization, and selecting the audit topic. This phase includes building knowledge through a Preliminary Survey Report, identifying audit issues, and developing an examination plan. The examination phase focuses on collecting and analyzing data to draw reasonable conclusions on the identified issues. This phase entails conducting a 4Cs analysis, comparing evidence against criteria, formulating findings, determining causes and effects, and deriving conclusions and recommendations. Internal review and discussions with the auditee are crucial steps in this phase. The reporting phase is pivotal as it involves developing a draft audit report based on findings, conclusions, and recommendations. After revisions and internal review, a final draft report is prepared and submitted for further review before being tabled in parliament. Lastly, the follow-up phase ensures corrective actions are implemented based on previous recommendations, providing assurance on the effectiveness of the audit process.

2.2 Empirical Literature

Few researches are there related to effectiveness of PA in different countries. The researchers use different factors to assess effectiveness of performance audit.

Luiz and Mury (2020) conducted a study on performance audit applying the principle of effectiveness in a case study in Brazil using regression analysis based on difference in differences

with a sample of primary schools of the target municipality, before and after the adoption of the private textbooks. The study showed that there was a negative impact hence the principle of effectiveness in performance audit was not achieved.

Albrecht (2012) carried out research on the assessment of audit performance in public institution and accountability in Australia. Using descriptive survey instrument and analysis of secondary data, the studies traced the principal challenges to effective performance of Auditor-Generals to include but not limited to; corruption and the legislature's inability to implement the Auditor General report especially as regards performance auditing report. He recommended that public spending need some degree of strict fiscal discipline, balanced institutional relationships, a stable negotiation framework, management cooperation, transparent reporting and cooperative control structures across various levels of government so as to enhance accountability in the public sector institutions

A research conducted in Kuwait, According to Mohammad Al Faraj(2009), The General objective of study is to assess factors that affect the effectiveness of performance auditor in state of Kuwait. To identify the factors the researcher first define the PA and objective of PA, it review the current state of PA in State Audit Bureau of Kuwait, identify the major factors and impact of the factors on PA. For the study the researcher use a case study method and use questionnaire and interview to collect data and use SPSS for analysis purpose. The factors that are considered in the research are the organization independence, Management support, audit guidelines and standards and auditors and audit programme. The finding shows that the four factors directly impact the PA other factors are all included in these factors.

A research made in Ethiopia, According Yodit (2016), the study assesses factors that affect the effectiveness of performance audit in OFAG. it includes: All ministries which OFAG perform PA in 6 years (2009-2015).In this study used three factors legal mandate, competency and post audit to assess effectiveness of performance audit. To assess these Quantitative research approach and descriptive research method used. Primary (Questionnaire) and secondary data applied to assess the effectiveness. The findings indicate that the three factors are very important for effectiveness of PA.

Rahel(2018), the challenges that affect performance audit is Auditors autonomy and interference from stakeholders, Budget and resource allocated to Audit Unit and Professional Audit standards.

Kaleab (2020), The General objective of study is to assess performance audit effectiveness in road construction sector for the study the researcher use a descriptive research Design method and use questionnaire to collect data and use SPSS for analysis purpose. The finding shows that results showed not enough performance audit staff their skill matches the scope organization operations, Management support misses providing performance auditors by encourages them to attend training, and Auditor doesn't follow up all performance audits planning stage from general Survey to Performance audit program.

To summarize with these researches let have a good insight on factors and challenges that affect PA in public sectors. The challenges and factors differ in Ethiopia and other countries. Most studies use descriptive research design and use questionnaire to collect primary data.

2.4 comparison of prior Researches PAE in sub Ethiopia with other countries

In other countries like Saudi, Kuwait and Indonesia the auditors have skills and knowledge to perform PA. The auditors upgrade their skills with continues training. The skilled auditors have a positive effect on the audit programs, quality of the performance audit practice, quality of report and post audit. The number of competent auditors has the ability to increase the coverage of the number of public sectors. In sub Saharan countries skilled auditors are less which affects the quality as well as the number of public sectors to be audited. In case of AAAOG there are 42 central offices and 11 sub city which is audited by 19 auditors. Every year 10-12 audit reports are issued from ordinary and project.

Technology has also a huge contribution in PAE. Most documents like polices, and other necessary documents can be accessed online. In case of Ethiopia most public sectors use manual documents which are in most cases hard to access and use for PA work. The other is most experienced auditors in Ethiopia may possess a long years of working experience and be familiar to the work but don't update their selves with latest technologies.

Auditor fee is not important fees in other countries which affect the independence and PAE. As the salary of PA audit increases the engagement of other professionals may increase in the field like engineers, medical Doctors, Teachers. Hiring other will lower the cost than outsourcing.

2.5 Knowledge Gaps

- There are studies on effectiveness of performance audit in public sector that shows the importance of performance audit. In developing countries emphasis should be given because of the scarce resource. Performance audit has economic benefit to allocate scarce resource and it will improve performance of the organization.
- The other is frequency of training, In developed countries due to technologies frequent studies are facilitated when it is needed but in developing countries most trainings are face to face and large amount of budget is needed and other method of trainings can't be facilitated.
- The other most studies didn't mention is reward. Reward is the most important for improving performance. In public sector most of the time the reward is done as an organization and for team leaders due to this the effort of the team members will be hidden which has impact on overall performance and effectiveness.
- The other is the manual that is used by performance auditors that is prepared by AFROSAI-E is in English. The manuals are not translated to local languages and because of these there is no uniform procedure.
- On previous studies most studies consider competent manpower but didn't include the timeliness of audit recommendation and post audit.
- The independence of the auditor is also mentioned on researches but nothing much is said on the cooperativeness of the auditee because most audits fail because of unwillingness of the auditee to make documents accessible.
- Effectiveness means achieving of Goals. The empirical studies should compare the annual plan for the year and actual execution for ordinary performance audit. Because project audits may differ from perspective of the governments
- To summarize with prior studies used the following factors to assess effectiveness of performance audit these are follow up audit, competency, objective of the performance audit, audit criteria, timeliness and management support.

In this study to assess effectiveness of performance audit factors such as competency, objective of the performance audit, management and supervisory support, standards and audit Quality and plan and actual performed audit(in number) is used to assess the effectiveness. These factors have

direct impact on effectiveness of performance audit Skilled auditors can identify relevant performance issues, ask the right questions, and apply appropriate methodologies. Incompetent staff may miss critical inefficiencies or draw flawed conclusions, reducing the audit's value (competency), if Audit objectives are vague or irrelevant, the audit may fail to address key issues or provide actionable insights. Well-set objectives ensure focused work that contributes to improved efficiency, effectiveness, and economy (objective of the performance audit), When managers and supervisors are involved, audits are more likely to stay on track, maintain quality, and produce credible results. Poor supervision can lead to scope creep, missed deadlines, or quality lapses (management and supervisory support), Standards provide a benchmark for planning, execution, and reporting. High audit quality promotes trust in findings and increases the likelihood that stakeholders will implement recommendations (standards and audit Quality) and when Deviations from the audit plan (e.g., due to time/resource constraints) may result in incomplete coverage or unverified findings.

CHAPTER THREE

3. Introduction

This section presents an overview of the approach used to investigate the research questions in this study. The methodology chosen aligns with the project objectives and aims to provide comprehensive insights into the phenomena being studied. The methodology outlined in this section is designed to facilitate rigorous and systematic inquiry, leading to valid and reliable findings that contribute to the existing body of knowledge in the field.

3.1 Research Design

The underlying purpose of this study is to determine Performance Audit Effectiveness in AAAOG. To achieve this objective, the study will follow a descriptive research design. As per (Kothari, 2004 cited on Kaleb F.), descriptive research is about finding what, and where, of a phenomenon. Descriptive surveys will be used to provide a snapshot of a particular interest. As this is a quantitative approach, only quantitative data will be gathered and analyzed to study the effectiveness of a performance audit from the performance auditor of the AAAOG. It serves to collect primary data from members of the population through questionnaires. Recommendations should improve the situation were made based on the conclusions.

3.2 Population Design

The target population of the study is 19 Performance Auditors. The study uses a total population approach (i.e., census method)

3.3 Source of Data

The study used both primary and secondary data. The primary data will be conducted by using survey (Questionnaire). The secondary data will be collected from reports made by the auditors.

. The questionnaire in this study was adapted from established tools developed by Mohammad Al Faraj in 2009. These tools have shown strong reliability and validity in previous research on performance audit effectiveness, with a Cronbach's alpha of 0.796. They address key areas like audit quality, auditee cooperation, and recommendation implementation, which are highly relevant to this study's goals. Using a previously validated instrument also helps maintain

consistency with past research and improves the comparability of findings in different contexts. These points support the thoroughness and relevance of the measurement tool used in this paper

3.4 Method of analysis

The analysis method for this project was the Statistical Package for the Social Sciences (SPSS). Demographic data were gathered using a questionnaire. Descriptive statistics like percentages, means, and standard deviations were employed. The dependent variable was performance audit, while the independent variables included follow-up audit, cooperation of the audited entities, auditor competency, audit criteria, and audit coverage. The results were presented in tables and interpreted accordingly.

Chapter Four

4. Introduction

This chapter presents the findings of the study based on the data collected through questionnaires and internal reports of the AAAOG. The analysis is structured to address the key elements influencing the effectiveness of performance auditing, including performance audit criteria, auditor competency, and cooperation from auditees, post-audit follow-ups, and audit coverage. Both primary and secondary data have been used. Descriptive statistics such as percentage, mean, and median are applied to analyze the quantitative responses.

Table 1: profile of performance auditors in AAAOG

Gender	Frequency	Percent
Female	12	63.2%
Male	7	36.8%
Age	Frequency	Percent
21-30	11	57.9%
31-40	4	21.1%
41-50	2	10.5%
51-60	2	10.5%
Education	Frequency	Percent
Degree	12	63.2%
Masters	7	36.8%
Social Science	Frequency	Percent
Accounting	8	42.1%
Management	5	26.3%
Economics	2	10.5%
Accounting and Management	3	15.8%
Other Field	1	5.3%
Work position	Frequency	Percent
Audit office General	1	5.3%
Deputy office General	1	5.3%
Audit Director	1	5.3%
Audit Manager	3	15.8%
Senior Auditor	6	31.5%
Junior Auditor	7	36.8%
Work Experience	Frequency	Percent
1-3years	7	36.8%
4-6 years	6	31.5%

7-10 years	3	15.8%
More than 10 years	3	15.8%
Do you think the salary and compensation for the Performance auditor from 2020-2023 were adequate?	Frequency	Percent
Yes	0	0%
No	19	100%
Frequency of Training related Performance Audit	Frequency	Percent
Annually	19	100%
Semi Annually	0	0%
Quarterly	0	0%
Others	0	0%

4.1 Demographic variables

A total of 19 performance Auditors were included in the study, with a response rate of 100%. Among the selected auditors majority were female 63.2%; with male to female ratio of 0.63:0.36 Regarding the age of the auditors majority 57.9% of respondent’s age group were 21-30. When assessing the educational level 63.2% holds bachelor Degree.

Among the auditors recruited during the survey are those who studied accounting which constitute 42.1% of the total. One of the most common features of the performance auditors is that the majorities of them are young (36.8%) and have the shortest experience (up to 3 years).

All performance auditors stated that the salary and compensation for performance auditors are inadequate and trainings related to performance audit is given annually to all auditors (from Directors to junior auditors).this might affect the effectiveness of performance audit

4.2 Objectives of Performance Audit

The responses from auditors show a clear and strong understanding of the core objectives of performance auditing:

Table 2: Objectives of Performance Audit

No.	Statement	N	Mean	Standard Deviations
12.	The objective of performance auditing is to ensure that public resources are accounted for in accordance with state laws and regulations.	19	4.3684	0.8307
13.	The objective of performance auditing is to report on the economical and efficient Management, control and use of public resources.	19	4.4737	0.96427
14.	The objective of performance auditing is to report whether government departments' objectives have met or not.	19	4.3158	0.67104
15.	The objective of performance auditing is to try to correct or change government policy	19	1.6842	1.20428
16.	The state laws give the PA sufficient power and authority to conduct performance auditing.	19	4.1579	0.37463
17.	The PA has enough independence to conduct performance auditing in an effective manner.	19	4.2632	0.56195

The findings reveal that performance auditors at AAAOG have a strong understanding of the core objectives of performance auditing. Statements related to legal compliance, economic and efficient use of resources, and achievement of organizational goals all received high mean scores (above 4.3), indicating strong agreement. Notably, auditors disagreed with the notion that performance auditing aims to change government policy (mean = 1.68), reflecting a correct understanding of the audit's advisory—not policymaking—role. The results also show confidence in the adequacy of legal authority (mean = 4.16) and independence (mean = 4.26), which are crucial for conducting effective audits. The low standard deviations suggest consensus among respondents, further reinforcing the reliability of these perceptions.

4.3 Criteria for Performance Audit

Performance audit criteria refer to the benchmarks against which audit evidence is assessed. Based on Table 4, the responses show a high level of agreement among auditors that clear criteria and standards guide performance audit practices.

Table 3: Standards and Audit Quality

No.	Statement	N	Mean	Standard Deviations
23.	My duties, authority and accountability are documented in policies, procedures or job descriptions provided by the Organization.	19	4.3158	0.47757
24.	Normal audit activities are guided by standard procedures, directives, rules, etc.	19	4.2105	0.6306
25.	Established materials (manuals, Standards, directives, statutes, technical and professional books, etc.) Cover the audit tasks.	19	4.1579	0.37463
26.	The unit's rules or guidelines to planning audit tasks are very clear.	19	3.6316	0.76089
27.	Standards of performance and control systems have been established in writing.	19	4.1579	0.37463
28.	Schedules or programs are used to identify scope of audit service.	19	4.0526	0.40465
29.	Practicing performance auditing need a lot of experience and training.	19	4.4	0.50262
30.	I would describe the work as routine.	19	3.3	1.41793
31.	I think that a good quality audit report is related to the adherence of auditing Standards and an ethical code.	19	4.3	0.47016
32.	I think the performance auditing relies on pervasive rather than conclusive audit evidence.	19	3.8	0.76777
33.	I think that in order to fulfill performance audit tasks suitably I	19	3.9	0.44721

	sometimes need help from others with expertise in particular disciplines.			
34.	I think that performance audit reports are similar to financial audit reports.		1.15	0.67082

The results show that respondents strongly agree that audit work at AAAOG is guided by clearly defined standards, procedures, and professional materials. The highest average rating (4.40) reflects a shared belief in the need for experience and training to effectively carry out performance audits. High levels of agreement were also observed regarding the documentation of duties and responsibilities, the importance of adhering to auditing standards and ethical codes, and the availability of manuals and professional references—all scoring above 4.0 with relatively low standard deviations, indicating consistency in responses.

Audit planning and scope identification were also viewed positively, with responses showing that structured programs and planning guidelines are in place. The clarity of rules and performance control systems was acknowledged, though slightly lower ratings for planning clarity suggest room for improvement in making certain expectations more explicit.

Meanwhile, the belief that performance auditing relies on expert collaboration and judgment-based evidence was moderately agreed upon, with means around 3.8–3.9, indicating that performance audits are seen as complex and multidisciplinary in nature.

The lowest mean score (1.15) was assigned to the notion that performance audit reports are similar to financial audit reports, demonstrating strong disagreement and reinforcing the distinct nature of performance audits. Additionally, perceptions of the audit work being “routine” varied significantly among respondents, as shown by a relatively lower mean (3.3) and the highest variability ($SD = 1.42$), suggesting diverse experiences among auditors regarding the repetitiveness of their task.

4.4 Competency of the Performance Auditors

Table 3 presents the responses on auditor competency. Most respondents positively rated the capability and structure of the audit teams.

Table 4: Competency of the Performance Auditors

No.	Statement on Adequate and competent professional to conduct effective performance audit	N	Mean	Standard Deviations
1	There are mechanisms to ensure that auditors have the required knowledge level to conduct a performance audit	19	3.8947	0.56713
2	Auditors currently conducting performance audit have the professional skill needed to produce an effective performance audit	19	3.5	0.92355
3	Team leaders and supervisors assigned to conduct performance audits have enough practical experience	19	3.4737	1.17229
4	Performance auditors are encouraged to upgrade their skills and knowledge via several short and long term trainings	19	4.1579	0.37463
5	Team matrix is arranged in a way that match the area being audited	19	3.8947	0.45883
6	The pre-condition to get competent employees such as good enough salary and benefits are present	19	2.6316	0.8307
7	Adequate efforts are made to keep the knowledge and practice of performance auditors in line with standards established by international institutions such as AFROSAI-e and INTOSAI	19	3.8421	0.50146
8	Performance auditors are adequately involved in planning sessions	19	3.8947	0.8093
9	the auditor are plan the audit in a manner, which ensures that an audit report of high quality is carried out in an economic, efficient and effective way and in a timely manner	19	4	0.66667
10	The auditability of areas selected for performance audit are tested before human and financial resource allotted to conduct the audit	19	2.9474	1.39338
11	Sufficient and appropriate evidences are gathered by AAAOG auditors in all stages of performance audit	19	4	0.66667

The findings indicate that performance auditors at AAAOG are generally perceived as competent and well-supported in several key areas. The highest mean scores, both at 4.00, were reported for the statements "The auditors plan the audit in a manner which ensures that an audit report of high quality is carried out in an economic, efficient, and effective way and in a timely manner" and "Sufficient and appropriate evidences are gathered by AAAOG auditors in all stages of performance audit", each with a standard deviation of 0.67, suggesting strong agreement and consistency among respondents.

Likewise, the statement "Performance auditors are encouraged to upgrade their skills and knowledge via several short- and long-term trainings" received a high mean of 4.16 and the lowest standard deviation (0.37), showing very consistent and positive perceptions about training opportunities. Other highly rated items included "Team matrix is arranged in a way that matches the area being audited" and "Performance auditors are adequately involved in planning sessions", each with a mean of 3.89.

On the other hand, the lowest rated aspect was the statement "The pre-condition to get competent employees such as good enough salary and benefits are present", which had a mean score of 2.63 and a standard deviation of 0.83. This suggests dissatisfaction or concern regarding compensation and its impact on attracting qualified professionals. Similarly, "The auditability of areas selected for performance audit are tested before resources are allotted" also received a relatively low mean of 2.95 and the highest standard deviation of 1.39, indicating both disagreement and wide variability in responses.

Overall, while the professional competency and skill development of auditors are rated positively, issues such as salary, benefits, and proper pre-assessment of audit areas appear to be areas needing improvement to enhance audit effectiveness further.

4.4.1 Management and Supervisory Support

Table 5: Management and Supervisory Support

No.	Statement	N	M	Standard Deviation
18.	I receive sufficient support from my manager for new tasks.	16	4.0625	0.44253
19.	My manager has clearly defined my job responsibilities.	16	3.0625	1.18145
20.	My manager motivates me to work to a high standard.	16	4	0.89443
21.	My manager provides me with continual feedback to help improve my performance at work.	16	2.5	1.36626
22.	My manager always encourages me to attend training courses to improve my skills.	16	4	0.5164

The findings show that respondents generally feel strong support from their managers in key areas. The highest average ratings were for receiving help with new tasks, motivation to meet high standards, and encouragement to attend training. These responses were consistent among participants, as indicated by low standard deviations, which suggest a common experience of positive managerial support.

On the other hand, the clarity of job responsibilities received a moderate average rating and a higher level of variability in responses. This indicates some confusion or lack of communication about role expectations among employees. The area with the lowest rating was the provision of ongoing feedback, which not only had the lowest mean score but also the highest standard deviation. This highlights a significant gap in communication and guidance on performance from management.

4.5 Cooperatives of the Auditee in Relation to Effectiveness of Performance Audit

The cooperation of auditees is a critical factor in the timely and effective execution of audits. The project utilized indirect method (Time sheet to track the budget vs Actual audit time documented by auditors, which reflects variations in planned versus actual execution of audit tasks. Such discrepancies are often attributed to factors including .According to the narrative and reports, the following key points were identified:

- Effectiveness is achieved when audits are conducted within planned timeframes, which depends on the cooperation of the audited bodies.
- Cooperation includes providing documents, manuals, and responses as required.
- From the 2023 internal report, all 13 planned audits (11 performance and 2 environmental) were completed on time, indicating effective cooperation.

From internal reports and observations, it is evident that the cooperation of auditees plays a significant role in timely and effective audit completion. Timely provision of materials, manuals, and responses helped auditors perform the 2023 audits within schedule.

The findings emphasize that effectiveness is not solely an internal matter for the audit office but heavily dependent on the behavior of audited entities. Strengthening the legal framework to require timely cooperation, along with regular awareness sessions for auditees, can improve

effectiveness. AAAOG could also introduce auditee performance feedback tools to monitor and improve cooperation.

4.6 Actions Taken by House of Peoples' Representatives and Post-Audit Follow-ups on Time

AAAOG submits its reports to the House of Peoples' Representatives. According to the internal reports:

- All planned audits were conducted as scheduled from 2021 to 2023.
- In 2022, post-audit follow-ups (also called follow-up audits) were carried out for audits conducted in 2021.

These follow-ups are essential for ensuring recommendations are implemented. While follow-up audits may slightly reduce the coverage of new audits, they contribute to accountability and effectiveness by ensuring that identified issues are addressed by the auditees.

The performance audits planned by AAAOG were conducted and submitted to the House of Peoples' Representatives. In 2022, post-audit follow-ups were conducted for the 2021 audits. This indicates that oversight and feedback mechanisms are in place, although follow-up activities may reduce coverage for new audits.

Follow-ups show that audit findings are being tracked, adding value to the accountability process. However, this must be balanced with the need to audit new areas. AAAOG should consider allocating separate resources or teams for follow-ups and regular communication with Parliament to ensure audit recommendations are acted upon effectively and timely.

4.7 Coverage of Performance Audit in Relation to the Plan of the AAAOG

Audit coverage is assessed by comparing planned and actual audits. Table below summarizes the performance:

Table 6: Coverage of Performance Audit in Relation to the Plan of the AAAOG

Type Audit	2021 G.C		2022 G.C		2023 G.C	
	Plan (No.)	Actual (No.)	Plan (No.)	Actual (No.)	Plan (No.)	Actual (No.)
Performance audit	11	11	12	12	12	12

The AAAOG met its audit targets in all three years. The selection of audit topics is based on public benefit rather than budget constraints. For instance, audits may prioritize sectors like infrastructure (e.g., ERA) that directly impact citizens. This performance suggests that AAAOG has been consistent and effective in executing its audit plans.

AAAOG achieved full implementation of its planned performance audits from 2021–2023. The criteria for selecting audits focused on public benefit rather than budget size, which allowed audits of entities like ERA that have significant public impact.

This consistent achievement highlights strong planning and execution capabilities within AAAOG. Focusing on public benefit rather than budget ensures that critical sectors are not overlooked. However, expanding audit coverage further may require adopting a risk-based approach and advocating for more resources to ensure even broader public value and oversight.

Chapter Five

Summary, Conclusion and Recommendation

5.1 Summary

The study shows that performance auditors at AAAOG have a good grasp of performance auditing principles, particularly regarding legal compliance, the 3Es (economy, efficiency, and effectiveness), and achieving organizational goals. Auditors clearly understand that performance auditing serves an advisory role rather than a policymaking one. There was also strong agreement on the legal authority and independence of the audit office, both of which are critical for effective auditing.

Audit standards and quality received positive ratings, with a high consensus on the availability of professional materials, clarity of rules, and the importance of experience and training. While most auditors agreed that structured planning and guidelines exist, some pointed out the need for clearer planning in certain areas. The data indicated that performance auditing is considered complex and multidisciplinary, requiring collaboration and professional judgment. Auditors strongly disagreed with the idea that performance audit reports are like financial audit reports.

In terms of auditor skills, responses showed a positive view of training and abilities. High ratings were given for effective audit planning, evidence collection, and support for ongoing professional development. However, concerns were raised about low salaries and limited pre-assessment of auditability, which could hinder recruiting skilled professionals.

Management and supervisory support were viewed positively, especially in task assistance, motivation, and encouragement for training. However, providing feedback and defining roles were seen as areas needing improvement, signaling inconsistent communication and supervision.

Auditee cooperation was evaluated by analyzing audit time variation reports. The results suggest effective collaboration since all planned audits for 2023 were completed on schedule. Timely submission of necessary documents by auditees greatly aided audit effectiveness. Still, the findings highlight that audit success depends not only on internal resources but also on the cooperation of audited entities. Legal reinforcement and awareness efforts are recommended to ensure ongoing and dependable support from auditees.

Post-audit follow-ups occurred regularly, showing AAAOG's commitment to accountability. While follow-up audits slightly limited new audit coverage, they ensured that past recommendations were followed up on. It is advised to allocate dedicated resources for follow-up tasks to maintain a balance between oversight and new audit initiatives.

Finally, AAAOG successfully completed all planned audits from 2021 to 2023. The selection of audit topics emphasized public benefit over budget size, ensuring that significant areas like infrastructure were audited. This consistent execution reflects strong organizational planning. This study differs from previous research that focused on legal and institutional factors affecting the effectiveness of performance audits, whereas this study emphasizes operational factors. Other research does not address the planning and execution of audits, or the criteria and cooperation of auditees, which is discussed here.

5.2 Conclusion

The study shows that the Addis Ababa Audit Office General (AAAOG) has a young workforce that is mostly female. Auditors see themselves as skilled and feel supported by management. They understand the goals of performance audits and believe they have the necessary authority and independence. The office follows established standards and procedures, and planned audits are successfully completed.

This study looked at how effective performance audits are at AAAOG, focusing on key areas like auditor skills, audit standards, cooperation from those being audited, follow-up after audits, and the execution of audits.

The results indicate that auditors at AAAOG have a solid grasp of the goals of performance audits and work within a clear legal and procedural framework. There is strong agreement on the importance of professional training, careful planning, and collecting evidence, which are essential for audit skills and quality.

Management support is generally seen as good, especially in motivating and training staff. However, improvements are needed in job clarity and ongoing feedback. While auditors have the necessary skills, there are concerns about low salaries and limited pre-assessment of audit feasibility.

Cooperation from those being audited is vital for successful audits. Timely support from auditees helped ensure that all planned audits were completed on time. Follow-up audits were also carried out, reinforcing accountability, though they might reduce opportunities for new audits.

Overall, AAAOG achieved its audit targets from 2021 to 2023 and concentrated on audits that offer significant public benefits. While the implementation of performance audits is effective, there is a need for improvements in pay, planning, and communication to boost long-term audit effectiveness.

5.3 Recommendation

Based on the findings to improve performance audit effectiveness at AAAOG, management should strengthen feedback and clarify job roles for auditors. Improving salary and benefits packages is also important to attract and keep qualified staff. Audit planning should be clearer, with better guidelines and a proper assessment of audit areas before allocating resources.

Ongoing investment in auditor training is necessary to keep up with international standards. Legal measures and awareness programs should be put in place to ensure timely cooperation from auditees. Additionally, creating separate teams for follow-up audits will help maintain accountability without cutting back on new audit coverage.

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Questionnaires

ADDIS ABABA UNIVERSITY

**COLLEGE OF BUSINESS AND ECONOMICS DEPARTMENT OF
ACCOUNTING AND FINANCE**

Msc in Accounting and auditing program

Title of The Project: Effectiveness of performance audit in Addis Ababa Audit Office General

In case of public sector

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Directions: The purpose of this survey is to collect data for assessing the effectiveness of PA in Addis Ababa Audit Office General. Participation in this study is completely voluntary. Survey results will be recorded anonymously and strict confidentiality will be maintained. Individual responses will not be identified in the investigator's MSc Project. A list of statements is given below. These statements consists of two sections i.e. section A and section B. Section A consists of items on the personal information of the respondents and section B consist of items pertaining to the area of study. Due to the work environment/all the questionnaires for performance auditor is performed using telegram. Please indicate the appropriate answer with each of the following statements by placing a √ mark on the space provided. For any clarification please contact on listed addresses.

PART 1: Questionnaires for Performance auditor to answer specific objective number 2.

1. **Gender** : Female Male

2. **Age** : 21-30 31-40 41-50 51-60

3. Educational Background

Diploma Bachelor Degree Master's Degree ACCA/ CPA

PHD Others please specify

4. Field of study

Natural Science

Engineering Health Agriculture Other Field specify

Social Science

Accounting Economics Management Other Field specify

5. Work Experience as a performance auditor

1-3 4-6 7 -10 More than 10 years

6. Other work Experience specify

7. Current work position

Audit office General

Deputy office General

Performance Director

Manager

Senior Auditor

Junior Auditor

8. Audit Fees

Do you think the salary and compensation for the Performance auditor from 2020-2023 were adequate?

Yes

No

9. Frequency of Training related to Performance Audit

Annually

Semi Annually

Quarterly

Other

No.	Statement on Adequate and competent professional to conduct effective performance audit	SD	D	N	A	SA
1	There are mechanisms to ensure that auditors have the required knowledge level to conduct a performance audit					

2	Auditors currently conducting performance audit have the professional skill needed to produce an effective performance audit					
3	Team leaders and supervisors assigned to conduct performance audits have enough practical experience					
4	Performance auditors are encouraged to upgrade their skills and knowledge via several short and long term trainings					
5	Team matrix is arranged in a way that match the area being audited					
6	The pre-condition to get competent employees such as good enough salary and benefits are present					
7	Adequate efforts are made to keep the knowledge and practice of performance auditors in line with standards established by international institutions such as AFROSAI-e and INTOSAI					
8	Performance auditors are adequately involved in planning sessions					
9	the auditor are plan the audit in a manner, which ensures that an audit report of high quality is carried out in an economic, efficient and effective way and in a timely manner					
10	The auditability of areas selected for performance audit are tested before human and financial resource allotted to conduct the audit					
11	Sufficient and appropriate evidences are gathered by AAAOG auditors in all stages of performance audit					

Part three: **Questionnaires for Performance auditor to answer specific objective number 4.**

The scale should be treated as a continuous range from “strongly agree” to “strongly disagree”

No.	Statement on Effective practice of post audit follow up performance audit.	SD 1	D 2	N 3	A 4	SA 5
1.	Audited entities follow the action plans they submit					
2.	Appropriate action plans are prepared and submitted by audited entities to AAAOG based on the recommendations forwarded on audit reports					
3.	Regular and Appropriate efforts were made by AAAOG to ensure the implementations of action plans					
4	AAAOG conduct adequate post audit follow up					
5	AAAOG follow up implementations of corrective actions relating to performance audit findings					