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FACTORS AFFECTING PERFORMANCE AUDIT EFFECTIVENESS: IN CASE OF OFFICE OF FEDERAL AUDITOR GENERAL OF ETHIOPIA.

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A PROJECT PAPER SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND
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PARTIAL FULFILMENT OF THE REQUIREMENT FOR MSC DEGREE IN ACCOUNTING
AND AUDITING.

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Declaration

I, YODIT BIRHANU, hereby declare that the project entitled FACTORS AFFECTING PERFORMANCE AUDIT EFFECTIVENESS: IN CASE OF OFFICE OF FEDERAL AUDITOR GENERAL OF ETHIOPIA 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.

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Certification

This is to certify that Mrs. Yodit Birhanu has completed her project work entitled FACTORS AFFECTING PERFORMANCE AUDIT EFFECTIVENESS: IN CASE OF OFFICE OF FEDERAL AUDITOR GENERAL OF ETHIOPIA. In my opinion, her project is appropriate to be submitted as a partial fulfillment requirement for the award of Degree of Master of Science in Accounting and Auditing

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This is to certify that the thesis entitled, “Factors affecting performance audit effectiveness: In case of office of federal auditor general of Ethiopia” was carried out by Yodit Birhanu Kenea under the supervision of G/Medhin G/Hiwot (lecturer), 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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Abstract

This study investigates factors affecting performance audit effectiveness, the auditees' duties and the public accounting committee contribution related to performance audit and its effectiveness by drawing the practice of Ethiopian Office of Auditor General. To this end, this study covered the period from 2009-2015. In light of this objective the study adopted quantitative method of research approaches to test a series research hypothesis. Specifically, the study used survey of questionnaire analysis of office of federal auditor general' performance auditors, government ministry on which performance audit has been already conducted during the six years from 2009-2015 and House of peoples representative's public accounting committees' response. A census method was employed for all the three set of respondents. Data was then analyzed on quantitative basis using Pearson's correlation, linear regression analysis and descriptive statistics. The findings of the study showed that there is statistical significance positive relationship between legal mandates, adequate & competent professional, post audit follow ups and performance audit effectiveness. Besides, the study found that there is strongly significant positive relationship among adequate and competent professionals, post audit follow up and performance audit effectiveness.

Key Words: *Performance Audit; Office of Auditor General; Government ministry; Public accounting committee; performance audit effectiveness; determinants & factors affecting performance audit effectiveness;*

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Acronyms and Abbreviations

AG	Auditor General
AFROSAI-E	African Organization Of English- Speaking Supreme Audit Institutions
3Es	Economy, Efficiency And Effectiveness,
FEACC	Federal Ethics and Anti-Corruption Commissions
HPR	House of people representatives
IFAC	International Federation of Accountants
I N T O S A I	International Organization Of Supreme Audit Institutions
ISAS	International Standards On Auditing
MoFED	Ministry of Finance and Economic Development
NPM	New Public Management
OBI	Open Budget Index
OECD	Organization For Economic Cooperation And Development
OFAG	Office Of Federal Auditor General
PA	Performance Audit
PAC	Public Accounts Committee
SAI	Supreme Audit Institutions
SFO	Series Fraud Office
UK	United Kingdom
UN	United States

CHAPTER ONE

1. Introduction

1.1 Background of the study

It is found that auditing has evolved through a number of stages. In the mid-1800s to early 1900s, the audit practice was considered as “traditional conformance role of auditing (LEE Teck-Heang¹, Azham Md. Ali²,2008). Auditing in the form of ancient checking activities was found in the ancient civilizations of China (Lee, as cited in LEE Teck-Heang¹, Azham Md. Ali²,2008), Egypt and Greece (Boyd, 1905 as cited in LEE Teck-Heang¹, Azham Md. Ali²,2008). The practice of auditing did not become firmly established until the advent of the industrial revolution during the period 1840s-1920s in the UK (Gill & Cosserat, Ricchiute, as cited in LEE Teck-Heang¹, Azham Md. Ali²,2008). The growth of the US economy in the 1920s-1960s had caused a shift of auditing development from the UK to the USA. In the years of recovery following the 1929 Wall Street Crash and ensuing depression, investment in business entities grew rapidly. The world economy continued to grow in the 1960s-1990s. This period marked an important development in technological advancement and the size and complexity of the companies. Auditors in the 1970s played an important role in enhancing the redibility of financial information and furthering the operations of an effective capital market. The auditing profession witnessed substantial and rapid change since 1990s as a result of the accelerating growth at the world economies. It can be observed that auditing in the present day has expanded beyond the basic financial statement attest function. (LEE Teck-Heang¹, Azham Md. Ali², 2008)

The growing new public management has become a central element in public discourses aimed at promoting the transformation and the renewal of public sector organizations. In many countries, such calls for greater transparency, accountability, and efficiency have led to a significant reinforcement of the role of legislative auditors (Nurul Athiran Abd Manaf, 2010)

With the emergence of new public management and Good Government ideas, there has been a radical change in the approach to public sector auditing. The focus has been shifted to traditional compliance and financial auditing to issues of performance and results. NPM forces the public sector reform through transferring private sector management principles to the public sector.

The reform will simplify bureaucracy, force innovation and improve public service efficiency and effectiveness. This also means that organization performance measurement is needed both in the NPM and public sector reform. (Nusrat Ferdousi, 2012)

Performance auditing works with the same performance management concepts used by program managers and their principals to plan, monitor, and evaluate how public resources are used to achieve public policy objectives. The concepts of inputs, processes, outputs, outcomes, and impact, as well as their correlation with the above goals of economy, efficiency and effectiveness, are common tools for public managers and public performance auditors' is alike (Dalia Daujotait , Irena Macerinskien, 2008)

According to I N T O S A I(2003) , Performance auditing is an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

Performance audit, as a large scale of self–consciously distinct practice, dates mainly since the late 1970s. Especially, it was widely spread in the 1980s due to number of factor: of which the main one being the presence competing claims for resource allocation. The scarcity of resources demands a more rational and informed decision- making on public expenditure. There is an urge for receiving full value from the money being spent (Nusrat Ferdousi, 2012)

Performance audit in Ethiopia` has been on the scene since the early 90's. According to Tadele Dereje 2012 , though the issue of performance audit stated in proclamation No. 164 of 1979, it has not been practiced until beginning of 1990s. In 1991 development of performance audit started in new sprit as a result of UN expert financial auditing project recommendation. Then, manual of performance audit prepared in 1992 and short term training provided. Performance audit reports has latter appeared in the middle of 1990s performance audit report. The office of the federal auditor general re-establishment proclamation 669/2010 puts performance audit as one of the objectives of OFAG.

The government has rather a visible role when it comes to performance auditing on the management and utilization of public resource. The government uses Supreme Audit Institution (SAIs) to conduct performance audit and subsequent follow ups.

According to African Organization Of English- Speaking Supreme Audit Institutions While the scarcity of resources continues to grow as a global and regional concern, SAIs are well-positioned to carry out performance audits that can lead to the better use of resources by the

public. AFROSAI-E (2015), (<https://afrosai-e.org.za/news-article/strengthening-performance-audit-capacity-region>) october9, 2015.

This research stresses on investigating factors that affect performance audit effectiveness in office of federal auditor general and to examine the auditees' duties and PAC contribution during and after performance audits.

1.2 Statement of The problem

Performance auditing works with the same performance management concepts used by program managers and their principals to plan, monitor, and evaluate how public resources are used to achieve public policy objectives. The concepts of inputs, processes, outputs, outcomes, and impact, as well as their correlation with the above goals of economy, efficiency and effectiveness, are common tools for public managers and public performance auditors' is alike (Dalia Daujotait , Irena Macerinskien, 2008)

Performance audit have several importance in improving performance (John 1996 as cited in Tadel Dereje, 2012), in assisting public expenditure management (Dadi as cited in Tadel Dereje, 2012), in supporting modern public management (Michael as cited in Tadel Dereje, 2012).

Different researcher having saw several countries experience, have put forward serval points on problems related to effective performance audit focusing on legal mandates of SAIs, professional competency of auditors and post audit follow up. According to Albert van Zyl, Vivek Ramkumar , and Paolo de Renzio 2009, SAIs should play a more proactive role than is often attributed to and played by them. They argue that Without Performance audits we would not know whether implementing agencies used public resources in the most efficient and effective way possible.

SAIs encounter is that they lack sufficient authority to ensure that audit findings and recommendations are acted on within the public resource management process. In many cases SAIs manage to conduct timely audits and make good recommendations for corrective action, only for these to be ignored or not fully implemented by the executive (.Albert van Zyl, Vivek Ramkumar , and Paolo de Renzio 2009).

According to Nusrat Ferdousi 2012, an audit procedure that requires the exercise of judgment beyond the ability of the person expected to make the judgment will likely end in failure.

Nirmala Devi Nath 2011,states that "If the SAI submits reports to the legislature and these are not read, understood, and acted upon, the system breaks down. In such cases, the legislators may

not detect or understand important audit findings, or may not follow up on the implementation of audit recommendations by the executive”

The reality of recent years in Ethiopia where the government took a hand on approach on much of the large projects which have been carried out and of those which are currently underway, do call for independent inspection such as performance and other audits by OFAG as the government in a position with much power to control, manage and produce public resource.

According to Tadele Dereje, 2012 Improving accountability by strengthening the relevant supervising authority's reporting to the legislature on the performance of government departments, agencies, projects and programs, acting as a force for beneficial change in the management of resources and the achievement of value for money and advising on the 3Es in the major fields of revenue, expenditure and management of other resources; are the main objectives of performance auditing.

However, OFAG has serious and persistent limitations in conducting audits including performance audits. In all the years from 2009-2015, The Auditor General, when addressing the parliament, in his annual speech has said that lack of competent and skilled manpower, limitation and lack of awareness on performance audits among auditees and unwillingness & reluctance to implement the recommendations set on audit reports has caused the OFAG to fall short of achieving what it has planned to do. (OFAG annual report,2009-2015), www.ofag.gov.et)

The auditor General states that in 2010, 2011, 2012 and 2013 respectively only 37%, 29%, 41%, 35% percent of auditees has presented an action plan detailing how they are going to implement the recommendation of performance audit reports.(OFAG report and evaluation ,2010-2012)

Previous studies found that performance audit (practice) was rather stale for more than two decades and its coverage in federal government level is low and as result insufficient performance audit reports accessible to the public or parliament (OFAG, as cited in Tadel Dereje, 2012). However, empirical studies are lacking to identify factors affecting the effectiveness of performance audit in OFAG. This study, therefore, considers three variable which are legal mandate, adequate & competent personnel and post audit follow up as independent and it verifies if they are influencing on performance audit effectiveness in OFAG.

The research revolves on “the factors that affect the effectiveness of performance audit in the case of OFAG was conducted in Addis Ababa and as far as the researchers knowledge this title was not researched yet in Ethiopia

1.3 Research objective

1.3.1 General Objective

The main objective of this study is to examine factors affecting performance audit effectiveness in case of office of federal auditor general of Ethiopia.

1.3.2 Specific Objective

Based on the general objective stated above, the study addressee the following specific objectives:

- ❖ To investigate factors affecting performance audit effectiveness.
- ❖ To investigate the auditees' duties during the performance auditing.
- ❖ To investigate the PAC contribution during the performance auditing.

1.4 Research questions

The research has proposed to answer the following key research questions;

- What are the factors affecting the SAI performance audit effectiveness?
- What are the compliance issues associated with auditees' duty and responsibilities during the performance auditing?
- What are issues associated with PAC contribution during the performance auditing?

1.5 Research Hypothesis

Several statements of belief can be made in view of the factors affecting performance audit effectiveness at federal government of Ethiopia, particularly performance auditors. On the basis of the above research objective the following discussion covers the hypotheses (HP) this study attempted to test.

H1: The SAI legal mandate is positively related to the performance audit effectiveness in the federal government organization.

H2: The presences of adequate and competent performance audit staffs in the SAI are positively related to the performance audit effectiveness.

H3: The practice of post audit follow up is positively related to the performance audit effectiveness.

1.6 Scope and limitation of the of the research

This study particularly focus on the examination of factors affecting performance audit effectiveness together with legal mandate of the SAI, availability of adequate and competent professionals, and post audit follow up on office of federal auditor general of Ethiopia . The study also involved government ministry on which performance audit has been already conducted during the sixth years from 2009-2015 and House of peoples representative's public accounting committee located in Addis.

Lack of adequate variables limited the study output. Moreover, shortage of latest reference books and literature on the area in Ethiopian content was narrowed the study output. Some respondents (auditee) were not punctual in the questionnaires. Lastly, in general the most important factor that limited the study output was shortage of time.

1.7 Significance of the study

This study is conducted on performance audit with the aim learning its factors affecting performance audit effectiveness is significant to many parties for its contribution:-.

- To OFAG to use it for strategic formulation.
- To House of people representative especially their Public Accounts Affairs Standing Committee (PAASC) and audited entities to use the outcome of the study for:-
 - overseeing the implementation of the recommendations of performance audit reports
 - facilitating and assisting the follow-up program OFAG may conductAnd other various decisions,
- To Create awareness in the minds of the public and the auditee's on the necessity, impact and importance of performance an audit
- To indicate findings on the research area and give recommendations
- aims to set the foundation for further researching

1.8 Organization of the research

Following the discussions in this chapter; the remaining structure of this research paper is organized as follows. Chapter two covers a review of the related literature relating to performance audit ; chapter three contains the research methodology; which describes about the research approach, research methods, sampling design and sources of data, limitation of the study. The results of the different methods used as questionnaires are analyzed and

interpreted in Chapter 4. Lastly, chapter 5 encloses the major findings, conclusions and recommendations, the effect of the findings to the audit offices and stakeholders, a conclusion of the study which is basically a summary of what has been discussed. This chapter also include recommendations and areas (if there are any) where further research may be fruitful.

CHAPTER TWO

2. Review of related literature

The following part of this study reviews the relevant literature. The reviewed literatures cover areas related to the meaning of performance audit, theoretical framework of performance audit, determinants of performance audit effectiveness and, empirical studies on relevant issues .

2.1 Theoretical Review

2.1.1 Meaning and Elements of performance audit

Meaning of performance audit

Almost half a century has passed and rich results have been achieved since beginning of theoretic study and practice of performance audit in the well-developed Western countries and regions. It is known that so far performance audit has taken up 90%, 50%, 40%, 35% and 40% of the total audit resources in the United States, Australia, Sweden, U.K. and Japan, respectively. Practice shows that the performance audit of government has played and will continuously play an important role in clarifying economic responsibility of the government, attacking bureaucratism, refraining corruption and wastes, and promoting working efficiency of the government etc (<http://www.gaportal.org/resources/detail/study-of-performance-audit-on-public-expenditure-of-chinese-government-economics-pa>)

Performance auditing, being a rather new and less standardize concept in comparison with other audit genres, has several definitions given by both supreme audit institutions and researchers alike.

Performance auditing has its own set of nomenclature, although different countries and academics use different terms to describe it. They include value for money audit, comprehensive audit, efficiency audit and operational audit. The different terms do not entail markedly different concepts, as most of them encapsulate auditing of a similar nature.(Nurul Athirah Abd Manaf,2010)

According to INTOSIA 2003, performance auditing is an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organizations are operating in accordance with the principles of economy, efficiency and

effectiveness and whether there is room for improvement. The definition goes on to explain that Performance auditing seeks to provide new information, analysis or insights and, where appropriate, recommendations for improvement. Performance audits deliver new information,

Knowledge or value by:

- providing new analytical insights (broader or deeper analysis or new perspectives);
- making existing information more accessible to various stakeholders;
- providing an independent and authoritative view or conclusion based on audit evidence;
- Providing recommendations based on an analysis of audit findings

Some definitions points to the relation performance audit have with public resource. According to Colleen G. Waring and Stephen L. Morgan, 2007, performance audit as a systematic, objective assessment of the accomplishments or processes of a government program or activity for the purpose of determining its effectiveness, economy, or efficiency. This determination, along with recommendations for improvement, is reported to managers, ministers, and legislators, who are responsible for enacting the recommendations or ensuring accountability for corrective action. Performance auditing is an important building block with which to improve accountable and responsive governance of public resources.

Apart from Pragmatic definitions, scientific definitions are also mentioned on some literatures. According to Dalia Daujotait and Irena MacerinskienIn, 2008, in scientific literature performance audit is variously defined too, one example being , "Performance auditing is a systematic, objective assessment of the accomplishments or processes of a government program or activity for the purpose of determining its effectiveness, economy, or efficiency"

Yet there are some researchers which tend to define performance audit by comparing it to other types of audit. According to Nusrat Ferdousi, Overall, performance audit is not just a tool like financial audit that can be easily standardized. Performance audit is a management tool that provides information and feedback for organization improvement. The reviews in performance audit are not limited to the financial accounting, but also include evaluation of the organizational structure, standard of procedures, operating. Methods and any aspects in the organization that individually or together, have an impact to the organization's performance. From a mere accounting exercise, auditing is nowadays looked upon as a social planning tool with an

unmatched ability to measure the usefulness of investment of public resources for social change. (Nusrat Ferdousi, 2012).

2.1.2 Emergence of Performance Audit

The growth of new concepts such as ‘New Public Management’ seems to play a major role for the development of performance audit

Performance auditing is an area new enough in the history of auditing. Its growth parallels the evolution of politics and public administration from one-dimensional focus on control of inputs (resource) towards broader attention to accountability for outputs and outcomes. The causal relation between management’s reforms and the developments in performance auditing may theoretically go in two directions: reform causes new audit practices or new audit practices cause the reform. Empirically, the relationship is mainly one directional: management reforms trigger an adoption of audit practices. On the audit side, New Public Management has influenced development of the audit. This evolution of auditing represents both: a means by which audit can continue to be relevant and a move towards fulfilling accountability role in governance. (Nusrat Ferdousi,2012)

According to Marie-Soleil Tremblay, ‘New Public Management’ is the label applied to this set of innovative reforms, one of the defining features of which is the infusion of market principles into the political world. Specifically, this means striving for efficiency in the delivery of public services, utilizing economic market models for political and administrative relationships, and applying the concepts of competition, performance-based contracting, or customer satisfaction. Performance auditing plays a key role in programs of new public management as it constitutes the tool through which efficiency, competition or satisfaction can be measured. Accordingly, in the eyes of critical researchers, performance auditing can be seen mainly as a political instrument whose main impact is not to modernize the state but rather to help privatize or merchandise public sector activities (Marie-Soleil Tremblay, 2015)

Scope of performance audit functions and roles has changed and developed year by year. More or less plausible claims can be made for the performance audit - like activities back to the 1960s or even considerably earlier. Performance audit, as a large scale of self-consciously distinct practice, dates mainly since the late 1970s. Especially, it was widely spread in the 1980s due to number of factors: (1) the scope of government activities has expanded from simple functions of law and order as well as administration of

justice, most of the governments are now committed to play active role in socioeconomic development. This has greatly increased the size of public expenditure; (2) there are competing claims for resource allocation. The scarcity of resources demands a more rational and informed decision- making on public expenditure. There is an urge for receiving full value from the money being spent; (3) the development of democratic institutions, the consciousness of the public and its representatives has also increased. There is a growing demand for the accountability of those who manage public resources; (4) the need to manage civil liability risk; (5) the opportunities to increase efficiency gains through improved internal management systems (Dalia Daujotait1, Irena Macerinskien, 2008)

The emergence of performance audit in Ethiopia has started some 25 years ago. According to Tadele Dereje 2012, even though the issue of performance audit stated in proclamation No. 164 of 1979, it was not conducted in Ethiopia until beginning of 1990s. In 1991 development of performance audit started in new sprit as a result of UN expert financial auditing project recommendation. Then, manual of performance audit prepared in 1992 and short term training provided. Later on in the middle of 1990s performance audit reports issued and started to present for par lament incorporating it with financial audit.

Though loosely put, a legal context has been given to performance audit in proclamation number 669/2010. The proclamation issued in 2010 to amend the office of the federal auditor general re-establishment proclamation states that one of the objective of OFAG is to undertake a financial, performance, environmental protection, control audit, special audit and other audits of the offices and organizations of the federal government.

Recently, in 2008 environmental audit incorporated and the manual revised again. As a result, the department of performance audit in OFAG split out in to two divisions: program audit division and common service audit division. Since 1992 more than 50 performance audit reports issued within 21 years by OFAG.

2.1.3 Performance Audit process

Performance auditing is carried out in three phases: planning, fieldwork, and reporting. The methods used to carry out the phases vary widely among auditing organizations around the world. Performance audits are well suited to being conducted in a team environment, as a diversity of perspectives and experiences can enhance the value of the product. To ensure harmonious functioning, all parties involved in the assignment must understand and accept their

roles and responsibilities most fundamentally; they must agree on and share a basic understanding of the performance audit's objectives. (Colleen G.w and Stephen L.M, 2007)

INTOSAI (2003), goes beyond the three stages and explain procedures for distribution of reports and post audit follow ups to be conducted.

❖ **Distribution of the report**

According to INTOSAI (2003), Auditors should seek to make their reports widely accessible. Auditors should bear in mind that distributing audit reports widely can promote the credibility of the audit function. Reports should therefore be distributed to the audited entities, the executive and/or the legislature and, where relevant, be made accessible to the general public directly and through the media and to other interested stakeholders.

❖ **Post audit Follow-up**

INTOSAI (2003), also stress that auditors should follow up previous audit findings and recommendations wherever appropriate. Post audit follow-up should be reported appropriately in order to provide feedback to the legislature together, if possible, with the conclusions and impacts of all relevant corrective action.

Follow-up refers to the auditors' examination of corrective action taken by the audited entity, or another responsible party, on the basis of the results of a performance audit. It is an independent activity that increases the value of the audit process by strengthening the impact of the audit and laying the basis for improvements to future audit work. It also encourages the audited entities and other users of reports to take the latter seriously, and provides the auditors with useful lessons and performance indicators. Post audit follow-up is not restricted to the implementation of recommendations but focuses on whether the audited entity has adequately addressed the problems and remedied the underlying situation after a reasonable period of time. When conducting follow-up of an audit report, the auditor should concentrate on findings and recommendations that are still relevant at the time of the follow-up and adopt an unbiased and independent approach.

Follow-up results may be reported individually or as a consolidated report, which may in turn include an analysis of different audits, possibly highlighting common trends and themes across a

number of reporting areas. Follow-up can contribute to a better understanding of the value added by performance auditing over a given time period or subject area. (INTOSIAE, 2005)

A number of countries have put in place interesting mechanisms to address this problem. In Hungary, SAI reports often include very specific recommendations for action by the government. In response, the audited body has to prepare an action plan based on these recommendations, which is tracked by the SAI. The SAI also comments in subsequent reports on how the audited body has responded to the recommendations (NAO as cited in Nirmala Devi Nath 2011).

A number of SAIs publicizes progress against their recommendations. In France, the Cour des Comptes follows up every three months on whether audit recommendations have been implemented . The Austrian SAI's annual report includes a list of recommendations from previous years and the action taken to implement them. The German SAI publishes an Audit Impact Report that highlights the action taken in response to its audit recommendations (NAO as cited in Nirmala Devi Nath 2011).

2.1.4 Conceptual Frame Work of Effectiveness and Measure of the Performance Audit

Measuring the effectiveness of the performance audit is important in order to analyze its usefulness to the public sector and raise its future contribution. The performance audit has already spread into the practice of many Supreme Audit Institutions. At the same time it has raised discussions about the independence of the auditors and of the more general role of the public sector audit. More and more often, especially after extensive programs of public management reform have been introduced all over the world, the audit institutions have been forced to justify their own activities and demonstrate their results and achievements. Therefore, the ways of assessing the effectiveness of performance audit has gained more importance and attention. As Supreme Audit Institutions and performance audits generally, but especially the effectiveness of performance audits, has not been the object of extensive interest by scholars. (Jane Etverk, 2002)

Performance audit is only effective in so far as it has convinced the decision makers of the units inspected of the rightness of its case and persuaded them of the effects of the necessary changes. The behavior of the auditors during the audit process will likely influence the success of an audit. It is possible to identify two extremes. At one extreme, the auditor might emphasize his or her

status and position as an independent auditor 'above' the auditee. At the other extreme, he or she might emphasize the cooperation, communication and participation in the audit process. This can be perceived on the following levels: 1) the auditees' perception of a preference for collaboration on the part of the auditors; 2) the auditees' perception of the power relations between auditors and auditees; 3) the auditees' perception of the tone of the report; 4) the auditees' understanding of the recommendations presented in the report; 5) the auditees' perception as to whether the evaluation criteria were justified; 6) the auditees' perception of the roles of the auditors and 7) the auditees' perception of the competence of the auditors. Geist (as cited in Jane Etverk, 2002)

There are different possibilities for assessing the performance audit impact (or the SAI's work in general). In practice, different measures are used, attributed to the differences between SAI mandates, objectives and identification of the clients being served. When measuring performance audit effectiveness, in general, auditors tend to equate the success of the performance audit with whether or not their recommendations have been followed. (Jane Etverk, 2002)

Pollitt et. al. (as cited in Jane Etverk, 2002) indicates that the proportion of recommendations in performance audit reports accepted by governments is the most common measure used by three renowned SAIs: by the UK National Audit Office, by the Swedish Audit office and by the Dutch Algemene Rekenkamer.

According to Jane Etverk 2002, Recommendations Accepted by the auditee can be a good way of measuring the effectiveness of performance audit. The positive side of this measure is that it is clear to identify the achievement and in general it is possible to identify the influencing factors and analyze why one audit was better than another. But, as the current measure emphasizes only the auditor-auditee relationship, several restrictions have to be taken into account. These derive not only from the characteristics of a particular measure, but also from the evaluation in general. Financial Savings Achieved can be taken as another measurement parameter. The main advantage of financial measure is that it is a very strong argument and more credible than non-financial argumentation. Financial indicators are also easy to read, understand and present. But despite the advantages, there are two issues that diminish the value of the 'financial savings achieved' measure. Firstly, as the performance audit involves qualitative analysis and improvement, its results can also be measured in qualitative terms. Therefore quantifying the performance audit's impact is challenging.

Other researchers have also have also put forward other measurement tools. According to Danielle Morin (as cited in Jane Etverk, 2002 and Katrien Weets,2008) three separate issues should be examined in order to determine the performance audits effectiveness: the perceptions and reactions with regard to the auditors, the impact on the audited organization and the contribution to the public debate. The auditees' perceptions and reactions are assessed by examining: 1) the auditees' feelings towards the auditors; 2) dissatisfaction expressed by the auditees with regard to the auditors' work; 3) the cooperation offered by the auditees; 4) misgivings of the auditees concerning the legitimacy of the auditors' attempts to influence them and 5) the credibility of the auditors in the eyes of the auditees. The indicators dealing with the impact of the performance audit on the organization audited are 1) the auditees' perception of the value added by the audit; 2) the auditees' evaluation of the audit findings; 3) the auditees' willingness to accept the auditors' recommendations; 4) the auditees' perception of the usefulness of the audit; 5) changes made by the auditees (based on the recommendations) and 6) the auditees evaluation of the conduct of the audit. The third group of indicators emphasizes the public debate raised after the publishing of the final report. The indicators considered are: 1) stimulation of debate in the audited organization; 2) stimulation of debate in the Parliament; 3) stimulation of debate in the press.

In conducting this study the indicator elaborated by Danielle Morin (2001) are partly used. Morin examined the conditions that could make a difference between performance audits and identified 14 performance indicators and 11 factors of success for the performance audit. These indicators were reformulated and adapted to the present thesis and finally tested on the performance audits practiced in OFAG

2.2 Empirical studies on determinants and factors affecting performance audit

According to Tadele Dereje 2012, legal framework of Independence, audit remit, access rights, reporting; leadership and strategy; governance of the SAI; adequacy of staff resources (the number and skills of staff available to the SAI); the adequacy of other key resources available to the SAI (finance, Office Space, corporate knowledge base(library), Utilities and IT and non-IT equipment); audit methodology used to deliver audit work such as National standards, INTOSAI standards and International Standards on Auditing (ISAs); relations with external stakeholder including PAC, audited bodies, MoFED, the media, civil society and the general public; and the actual outcomes achieved by the SAI(timeliness, monitoring and follow Up) are factors that affect the practice of performance audit.

Numerous factors that determine the success of SAI also specifically affect the value for money audit conducted. Of these, Dye and Stapenhurst (1998) stated that having a clear mandate, independence, adequate funding and staff, and the sharing of knowledge and experience are essential for SAI success.

White and Hollingsworth (1999) and Waring and others (2006) in their joint work mentions several key requirements to an effective audit function. These include organizational independence, a legal mandate, unrestricted access to information, sufficient funding, competent leadership, competent staff, stakeholder support, and professional audit standards. A few of these elements are present in some countries in Sub-Saharan Africa. Even the most advanced countries around the world will not have all of them fully in place (Waring and Morgan, 2007, p. 350-351).

Performance audit shall be supported by relevant stakeholders and procedures. According to Nurul Athiran Abd manaf 2010, three factors contribute to an increased impact of performance auditing (1) media pressure, pressure from interest groups, pressure from parliament; (2) relationship auditor/auditee during the audit, the audit report, follow-up of recommendations; (3) willingness from the audited organization, ongoing reform in the audited entity, chance events. Nurul Athiran Abd manaf 2010)

According to colleen g. waring and stephen L. morgan, 2007, Performance audits are capable of providing information and accountability about the provision of services that is not available

from the financial and regularity audit alone. However, the decision to implement a performance audit program should be predicated on the existence of certain prerequisites that form the foundation from which to apply accountability to government actions or omissions. These include the rule of law, clearly defined government organizations with well-understood roles and responsibilities, and the existence of policy planning and budgeting structures and basic accounting systems capable of and used in the tracking, categorization, and reporting of economic transactions.

Prior literature relating to determinants and factors that affect performance audit has either focused on fighting corruption (Tadele Dereje ,2012; White and Hollingsworth ,1999 and Waring and others ,2006); or taken a broader view and included factors that determine the success of SAI also specifically affect the value for money audit conducted. (Dye and Stapenhurst ,1998).And the effectiveness of performance audit focused on the impact measurement and challenges during implementation phase (Nurual Athiran Abd manas;2010,Nusrat Ferdosi,2012; Katrien Weets,2008) This paper attempts to introduce a new perspective for evaluation of performance audit effectiveness by identifying factors that play a major role in this perspective. The effectiveness of performance audits has not been the object of extensive interest by scholars. The model considers numerous potential factors but for the purpose of this research Legal Mandate, Adequate and Competent Professional, and Post Audit Follow Up have been taken to explain performance audit effectiveness and used for analysis of this research. More Factors should yet be considered but for the time constraints and convenience of the research only few factors are taken

A/ Legal Mandate is indicated by summery developed by INTOSAI (2005), namely, presence of defined legislation, availability of special regulations, and freedom to select audit areas within the performance audit mandate

B/ Adequate and Competence Professional is indicated by instrument suggested by IFAC(2005), namely, knowledge requirement, professional skills and practical experience

C/ Post Audit Follow Up is indicated by features developed by INTOSAI(2005), namely contribution to better understanding of the value added by performance auditing, unbiased and independent approach.

2.2.1 Effective performance audit and clear legal mandate

Nusrat Ferdousi in his 2012 research work has seen the legal mandate of several SAIs in relation to performance auditing. According to the researcher, in India for example, the SAI is empowered to decide the nature, scope, extent and quantum of audit to be conducted by it or on its behalf. The mandate of SAI for audit is derived from the Constitution of India. In Finland, The performance audit mandate is stipulated by the Constitution and the 1947 State Audit Act. The Act does not explicitly establish the mandate for conducting the performance audit. Nevertheless, the statutory right to audit the effectiveness of financial management would extend to include other types of auditing, which in English terminology would be labeled as performance auditing. In Bangladesh, The SAIs' mandates have no specific provisions clarifying the function of performance audit. The researcher goes on to conclude that performance audit is the right direction (in the future). But for strong support and comprehensive understanding, inserting the provision of audit in the legal mandate seems to be appropriate. Incorporating a legal provision for conducting performance audit would eventually create a more convenient working environment for SAIs, along with supportive awareness among the major stakeholders. Nusrat Ferdousi , 2012

Having a legal mandate and exercising it also means having a freedom to decide on resources, tasks to be carried out and also having a power visible enough that can force recommendations to be implemented. Such a mandate, however, is not always the case. The Open Budget Index (OBI) in 2006 as cited in Albert van Zyl, Vivek Ramkumar , and Paolo de Renzio 2009, found that out of 59 countries, 13 faced severe legal constraints on what they, may audit. The political reality is far worse. A 2001 INTOSAI survey shows that in 63 of 113 countries, SAIs felt that there was significant room for improvement in their managerial and administrative autonomy (Krafchik and Ramkumar as cited in Albert van Zyl, Vivek Ramkumar , and Paolo de Renzio 2009).

SAIs can also be kept in check by the executive that controls their budgets. Out of the 59 countries included in the 2006 OBI, 21 countries had the budget of the SAI determined by the executive. In the INTOSAI survey cited above, SAIs in 73 of the 113 countries surveyed felt that there was significant room for improvement in their financial autonomy. Control over SAI budgets gives the executive the ability not only to influence directly what gets audited and reported, but also the power to indirectly control the scope of SAIs' work. A SAI's budget determines the number and level of salaries that can be paid, the number of audit that can be

conducted, and the extent to which audit reports can be distributed and communicated. In this way control over finances gives the government unhealthy control over the ability of SAIs to audit their agencies and ministries. The second political challenge SAIs encounter is that they lack sufficient authority to ensure that audit findings and recommendations are acted on within the public resource management process. In many cases SAIs manage to conduct timely audits and make good recommendations for corrective action, only for these to be ignored or not fully implemented by the executive (.Albert van Zyl, Vivek Ramkumar , and Paolo de Renzio 2009). The writers conclude that If SAIs are to fulfil their role, they will not only need to reinforce their technical capacity, but also play a role in mobilizing the political momentum needed to have their findings implemented.

2.2.2 Availability professional competence to conduct effective performance audit

Performance audit, which usually involves making judgement and which is not limited to a certain area or routine procedures, needs well trained and competent professionals. According to (Abdullah as cited in Nusrat Ferdousi 2012) the subjective nature of performance audit means that such audit must be meticulously carried out and the people involved should be fully trained.

An audit procedure that requires the exercise of judgment beyond the ability of the person expected to make the judgment will likely end in failure. So the audit team should possess, or collectively possess, the knowledge, discipline, skills and experience to carry out the audit effectively. This may include any specialists that are contracted to assist the team in any way.(Nusrat Ferdousi 2012)

According to Chowdhury (as cited in Nusrat Ferdousi 2012) there are two aspects governing the perceptions auditor competence: an ability to form a useful opinion and an ability to assess objectively the quality of information. According to this researcher, these two aspects depend on the auditor's education, training, experience and technical skills. This shows that only auditors that possess these four elements would be able to fully comprehend circumstances under examination and also to produce a high quality of audit output.

Auditors must have the formal education (knowledge) relevant to audit, professional skills (and be able to apply the professional values, ethics and attitudes to different contexts and organizations. Based on these, auditor competence is determined by considering a set of relevant

attributes such as knowledge, skill and attitudes\ The quality of performance audit is directly related to the people assigned to the audit. (Nusrat Ferdousi 2012)

2.2.3 Post audit follow up and its relationship with effective performance audit

Performance audit, if left alone and no post audit follow up is conducted, its effectiveness will seriously be undermined. According to Nirmala Devi Nath 2011, If the SAI submits reports to the legislature and these are not read, understood, and acted upon, the system breaks down. In such cases, the legislators may not detect or understand important audit findings, or may not follow up on the implementation of audit recommendations by the executive.

The PAC is the body that digests audit reports and recommendations for the legislatures and recommends subsequent action. There are a number of institutional factors that specifically impact on the effectiveness of PACs. According to Stapenhurst, Saghal and Pelizzo (as cited in Nirmala Devi Nath 2011), these factors include the PAC's access to appropriate analytical and research capacity, its authority to investigate all past and present government expenses, and to follow up on government action in response to its recommendations.

As is evident all over the developing world, even SAI recommendations that *have* been endorsed by legislatures are often not implemented sufficiently by government departments. When this happens, the SAI and the legislature could cooperate to draw attention to such oversight and give fresh political impetus to these recommendations. It is generally the SAI that will discover through subsequent audits the poor implementation, or complete disregard, of previous findings. Regularly following up on implementation, making follow-up meetings open to the media and the public and limiting the time that the executive has to implement audit findings are Good practices PACs can do to help. The implication here is that for the audit findings to be useful, the government should follow-up on the audit disclosures Nirmala Devi Nath, 2011.

The follow-up activity carries the performance auditor's role into involving actions beyond and above forming an opinion. Therefore, it is distinguished from the role of the external financial auditor. In a public sector context, the performance auditor systematically evaluates the auditee's management and control of public sector resources and the performance of the public sector entity (Barton, 2009; Lee, 2008; Parker & Guthrie as cited in Nirmala Devi Nath 2011

2.3 Knowledge Gap

Tadele Dereje in his 2012 work on the role of performance audit in fighting corruption chooses using mixed approach of quantitative and qualitative method. He elaborates various challenges that are faced when performance audits are conducted. In his conclusion he stated that there is no clear legal mandate for the SAI and regional audit offices. He also said that there are inadequate professional auditors together with lack of sufficient of resources, low cooperation of auditees and low legislature attention. But Tadele left for other researchers to see and evaluate the relationship between effective performance audit and factors affecting it. He rather attempted to address the role of performance audit in fighting corruption.

Measuring the effectiveness of the performance audit is important in order to analyze its usefulness to the public sector and raise its future contribution. audit institutions have been forced to justify their own activities and demonstrate their results and achievements. Therefore, the ways of assessing the effectiveness of performance audit has gained more importance and attention. As Supreme Audit Institutions and performance audits generally, but especially the effectiveness of performance audits, has not been the object of extensive interest by scholars. (Jane Etverk, 2002)

This paper attempts to introduce a new perspective for evaluation of performance audit effectiveness by identifying factors that play a major role and using quantitative data to illustrate the relationship between the identified factors and effective performance audit. This paper is not limited to only see the process of performance auditing but goes on to evaluate post audit factors which affect effectiveness of performance audit.

CHAPTER THREE

3.1 Research Design and Methodology

3.1.1 Research Design

The study applied quantitative approach to describe and evaluate the factors affecting performance audit effectiveness in office of federal auditor general of Ethiopia. This type of the research was a descriptive type research includes survey questionnaires. The major purpose to use this research type is in order to explain the variables used in this research. Thus, in order to achieve the objectives stated, considering the research problem, to support or reject the hypotheses and the research prospective, this study mainly employed quantitative approach.. Researchers who adopt a more deductive approach use theory to guide the design of the study and the interpretation of the results. Quantitative techniques as an attempt to test a hypothesis by incorporating it into the research design and responding to it by measuring its strength and weaknesses that give numerical measurements to the data collected. Quantitative research is one in which the investigator primarily uses positivist claims for developing knowledge and its strategies of inquiries are associated with experimental and survey research methods. (Robert K.Yin,1994). However, the applications of this approach enable the researcher to obtain adequate, relevant and reliable data to the issue under study. After the necessary data have been collected, edited and coded, the preparation and summary was made using the Statistical Package for Social Sciences (SPSS) v 20. The data was then be presented by using statistical tools in the form of tables, explanatory narrations, and frequency distribution, percentage, mean and standard deviations Related issues will be used in analyzing the data in a descriptive type of analysis.

3.2 Sampling design

3.2.1 Targeted population

The population of the study includes performance auditors of OFAG, and 17 government budgetary institutions at Ministry level on which performance audit has already been conducted (Annex 6) and the public accounts committee at federal level. Each Ministry institution is expected to have chief concerned executive officers, chief auditing officers deputy general

managers The above mentioned officers are the one responsible for following up the auditor general's reports and public accounts committee recommendations. Targeted respondents will select purposefully. To get the basic data on factors that affect effectiveness of performance audit practice, the study was use questionnaires. The questioners were prepared for three different respondents and focuses on the legal mandate, professional competency, post audit follow up and effective performance audit.

In this research there are three set of respondents. The first sets of respondents are performance auditors at the office of federal Auditor General. To be representative the total population number of 51 auditors were taken. The second set of respondents is government ministries on which performance audit has been already conducted from 2009-2015 and the population in total numbers 17. To obtain the adequate responses through questionnaire the researcher believes that distributing the questionnaire for three senior managers; those are the chief concerned executive officers and chief auditing officers with their respective deputy minister (who are the stepping stone to other positions) relating with the number of audited area in each ministry, in total fifty one respondents who use the audit result are appropriate. A census method was used to cover the total population. The third sets of respondents are public accounts committee at HPR, and the population in total number is twenty, all of them are selected for the study. Sampling was not done since the study population was small.

3.3 Source of Data and Data collection tools

The study uses both primary data sources. Data from primary sources are collected using questionnaires. Questionnaires were filled by selected auditors of OFAG and some officials and employees of auditees and public accounts committee. The structured questionnaire consists of 59 closed ended questions to collect. The questionnaires have three parts and each parts have two sections. part1(Q1-Q38) prepared for auditors, Part 2(Q39-Q48) prepared for auditees and part 3(Q48-Q58) for PAC. Along with some of the closed ended questions are five score Likert scales to provide respondents a wider range of alternative with end points where "5" the level of agreements are represent by 1 to 5. Strongly agree 5, agree 4, 3 neutral, disagree 2, and strongly disagree represented by 1 and also includes Yes/No questions on the matter related auditees duty and PAC contribution. Questionnaires was international standardized which was adopted from (Tadele dereje, 2012 & Nusrat Ferdosi, 2012 and Danielle Morin, 2001) certain modification has been made to the questionnaires accordingly as to accommodate with this study objective. In

addition, data from secondary source was reviewed from reports and evaluation, annual report to the parliament, manuals and Proclamations.

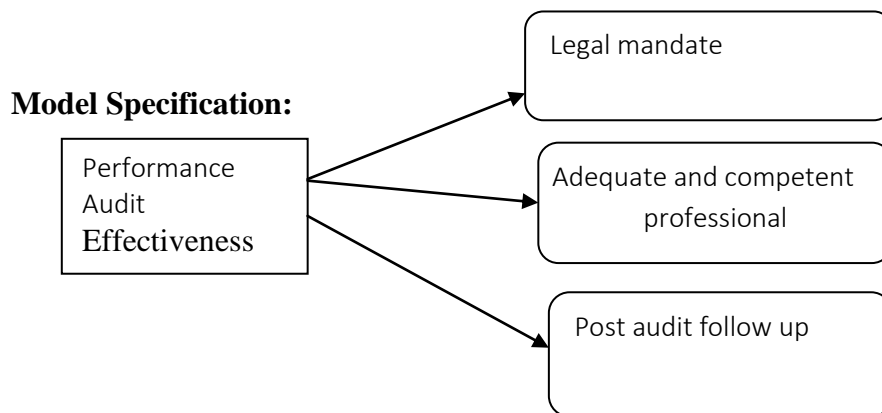
3.4 Methods of Data Analysis and Interpretations

Before presenting the data analysis methods adopted, the study tried to specify the variables and models used under the study. Accordingly, the study identified a total of four (4) variables including one dependent, and three independent variables based on the previews studies on different countries.

In the research, raw data is changed into a data structure that enables to generate meaningful and useful bits of information. The major part of the analysis was done based on the descriptive statistics and multiple regression analysis for quantitative data to examine the study to indicate the factors affecting performance audit effectiveness in office of auditor general of Ethiopia.

The collect and analyze data was presented by using the following data presentation tools:

tables, and regression, along with sufficient interpretations.



Therefore, the formula used for the model is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

$$PAE = \beta_0 + \beta_1 (LM) + \beta_2 (ACP) + \beta_3 (PAF) + \epsilon$$

Where:

PAE = performance audit effectiveness

LM = legal mandate

ACP = adequate and competent professionals

PAF = post audit follow up

Where Y stands for the mean values of the performance Audit Effectiveness where as β_0 , X_1 , X_2 , X_3 and ϵ denote the intercept of the equation, mean values of legal mandate, mean values of Adequate and competent professionals, mean values of post audit follow up and error term of the equation respectively. In addition, β_1 , β_2 and β_3 are the parameters of the equation.

Descriptive analyses were used to describe patterns of behavior or relevant aspects of phenomena and detailed information about each variable. Thus, it shows the average, and standard deviation of the different variables of interest in the study. Moreover, it also presents the minimum and maximum values of the variables which help in getting a picture about the maximum and minimum values a variable can achieve and processed using SPSS V20.0. The study used multiple regression analysis and descriptive statistics to estimate the causal relationships between performance audit effectiveness variable, and independent variables.

Measures

Effectiveness of performance auditing

Given the lack of academic work on the effectiveness of performance auditing, we found scales in the literature that were tested for their reliability which met the requirements of this study. We used the 32 performance auditing effectiveness and its factor items advanced by (Tadele dereje, 2012 & Nusrat Ferdosi, 2012 and Danielle Morin, 2001) as a starting point and I have tested for their reliability (Cronbach's Alpha) for all items using SPSS V20.0.

Dependent variables

Performance audit effectiveness- This variable was measured by five items (numbers 31, 32, 33, 34, 35, 36, 37 and 38). The majority of these items dealt with the performance audit effectiveness.

Independent variables

It should be noted that the data for the three independent variables were collected from the performance auditor in office of federal auditor general of Ethiopia. Therefore, the independent variables represent the perceptions of the performance auditors regarding these concepts.

Legal mandate: This variable was measured by six items (numbers 7, 8, 9, 10, 11 and 12). The majority of these items dealt with the legal mandate

Adequate and competent professional: This variable was measured by eleven items (numbers 13, 14, 15, 16,17,18, 19,20,21,22and 23). The majority of these items dealt with the Adequate and competent professional.

Post audit follow up: This variable was measured by seven items (numbers 24, 25, 26, 27, 28, 29 and 30). The majority of these items dealt with the post audit follow up.

CHAPTER FOUR

4. Data presentation, analysis and interpretation

The main focus of this study is to examine the factors affecting performance audit effectiveness with regarding to auditing practice of the office of federal auditor general of Ethiopia and the budgetary institution at Ministry level and public accounting committee in Addis. Three different types of questionnaires were prepared and distributed to collect primary data from the three groups of the respondents: performance auditors, audited ministries' officials and the public accounting committee members .The target population for this study was performance auditors, PAC members and Auditee at ministry level in Addis Ababa from 2009-2015 office of federal auditor general that conduct performance audits. Questionnaires were distributed to 122 participants that met this criterion, based on list compiled by the OFAG. The questionnaire for the performance auditor, government ministry and PAC dealt with the effectiveness of the OFAG performance auditing processes, and covered the independent variables. From which 101 questionnaires were collected respondents whose performance auditors, government ministry chief officers and public accounting committee members had responded to the questionnaires. However, 5questionnaires from OFAG, 13 questionnaires from government ministries and 3 questionnaires from PAC totally 16 questionnaires have not been returned .This response rate of 83 % is typical for a sent survey in general. This shows very good for response rate as was requested in this study of the 101 individuals that participated in the study, 46 were performance auditors, 38 government ministry chief officer and 17 were PAC members.

In this study both descriptive statistic and regression analysis were used to analyze the data. The descriptive statistics utilized in this research used to analyze the demographic data included frequency, percentages. Inferential analysis is concerned with the various test of significance for testing hypothesis, autocorrelation, and multicollinearity in order to determine with what validity data can be said to indicate some conclusion(s). The data collected from the returned questionnaire were entered into SPSS (Statistical package for social science software) version 20 for analysis. The data was sorted to group questions according to applicable constructs under test. Finally regression analysis was performed. In this study, a multiple regression analysis was performed by using all the discrete variables (dependent and independent) variables available in

the dataset. The location of the study was Addis Ababa city at office of federal auditor general of Ethiopia.

4.1 Descriptive statistics result for performance Auditor Staff's Respondents

4.1.1 Personal information

This section provides a profile of respondents who involved in the study and data collected on basic characteristics. Accordingly, the following variables about the respondents were summarized and described in the following table 1. These variables include: gender, educational background, field of study, current position, years of experience, and level of satisfaction on their current salary.

Table 1: Profile of OFAG performance Auditors Respondents

Gender:	Frequency	Valid Percent	Cumulative Percent
Female	24	52.17%	52.17%
Male	22	47.83%	100%
Educational Bach ground.	Frequency	Valid Percent	Cumulative Percent
Bachelor's Degree	42	91.30%	91.30%
Master's degree	4	8.70%	100%
Field of study	Frequency	Valid Percent	Cumulative Percent
Accounting	15	32.60%	32.60%
Management	12	26.09%	58.69%
Economics	8	17.39%	76.08%
Other social sciences	7	15.22%	91.30%
Other	4	8.70%	100%
How long have you been working in performance audit	Frequency	Valid Percent	Cumulative Percent
Less than 5 years	24	52.17%	52.17%
6 to 10 years	13	28.26%	80.43%
11 to 15 years	2	4.35%	84.78%
16 to 20 years	4	8.70%	93.48%
Over 20 years	3	6.52%	100%
Current position in your Audit office	Frequency	Valid Percent	Cumulative Percent
Audit director	2	4.35%	4.35%
senior manager	4	8.70%	13.04%
senior auditor	15	32.60%	45.65%
Auditor	25	54.35%	100%
Are you satisfied with your current salary	Frequency	Valid Percent	Cumulative Percent
No	38	82.61%	82.61%
Yes	8	17.39%	100%

Source: Authors computation of the, 2016

As shown in table.1,the respondents from the performance auditors 22 (47.83%) were males and 24 (52.17%) were females, Here in the result shares of females are higher than males but in proportion the gaps are higher. It is clearly visible that to education background, 44(91.3%) of the respondents are bachelor degree holders, whereas 4 of them (8.7%) are masters degree, this figure revealed that the performance auditors' educational qualification is seem to be adequate to perform audit tasks.

Although, most of the audit staffs are bachelor degree holders, not only this but also auditors should have more professionalism to do best audit practices, activities and responsibilities in order to enhance audit efficiency, gain audit effectiveness, receive audit performance, and audit success. Based on this, 15(32.6%) of the respondents are having accounting field of study, 12(26.09%) are having management field of study, 8(17.39%) has Economics field of study 7(15.22%) having Other social sciences field of study and and the remaining 4(8.70%) has other field of study. Then I concluded that educational level attainment of respondents is excellent and which may be related to their profession. And respondents usually come from multidisciplinary backgrounds. So to conduct a performance audit effectively, specialists from specified discipline may be needed.

Even though educational qualifications are fundamental, it should be supported with the appropriate experience in order to be more effective with in a relatively shorter period of time.

Based on this fact the respondents who are employed, 24(52.17%) having Less than 5 years of experience, 13(28.26%) have from 6 to 10 years, 2(4.35%) from 11 to 15 years ,4(8.7%)from 16 to 20 years, and the remaining 6.52% has greater than or Over 20 years worked experience.

When analyzing the position of the respondents from the above table, two of them (4.35%) are Audit directors, 4(8.70%) are senior managers, 15 (32.60%) are senior auditors and 25 (54.35%) are auditor.

In order to encourage staff to self-develop and participate in the competency improvement and retain experienced performance auditors, an organization should increase the audit staffs salaries based on this, as it can be observed from the table, 82.61% of the respondents were unsatisfied with their current salary while 17.39% of the respondents were satisfied with their current salary. Then it concluded that the audit staffs are not satisfied with their current salary the turnover of experienced auditors might increase and, finally it may have a negative impact on audit effectiveness of an organization.

4.1.2 Questionnaire result for Likert scale

A total of 51 copies of questionnaires were sent to performance auditor respondents. From the auditor respondents, 46 usable questionnaires were obtained (90.2 percent response rate). Descriptive measures of responses are presented in Table 2.

4.2 Descriptive result for auditees respondents

Table 2: Summary of Descriptive Statistics

	LM	ACP	PAF	PAE
N	Valid	46	46	46
	Missing	0	0	0
Mean	3.1028	2.6724	2.3073	2.4620
Std. Deviation	.85513	.80483	.70686	.53351
Minimum	2.17	1.29	1.00	1.25
Maximum	4.67	4.43	4.09	4.25

Source: SPSS Authors computation of the, 2016

Where: LM= Legal mandate, PAE= performance audit effectiveness, ACP=adequate and competent personnel and PAF= post audit follow up.

Legal mandate

As indicated in annex 2, auditors mean responses for the Question 7-12 are 3.10 and the standard deviations are 0.85513. The standard deviations for performance auditors suggest that there existed variability in ratings of the respondents. The auditors' mean responses of 3.10 implies that, between 2.4 and 3.4 (average) in sixth of the questions is mostly attributed to performance auditor's response which viewed the auditor General as being far from having a strong legal backing including limited freedom to select audit areas to conduct performance audits on. Previous studies has illustrated the lack of clear legal mandate in conducting performance audit (Tadele Dereje, 2012).

Adequate competent professional

As shown in annex3, Q13 – Q23 (11 items) in the questionnaires distributed to performance auditors relate to the adequate and competent professional parameter. Auditors mean responses for all Questions were 2.672 and the standard deviations were .8048. The mean responses to those questions in auditors groups were 2.672 means between 2.4 and 3.4 (medium) and the standard deviations 0.8048 were indicated for performance auditors suggest that there existed variability

in ratings of the respondents. The questionnaire mean responses revealed that adequate and competent professional is average as oppose to what might be desired to conduct an effective performance audit. the mismatch between Team matrix arrangement and areas being audited, the lack of good enough salary and benefits and inadequate efforts made towards keeping the knowledge and practice of performance auditors in line with standards established by international institutions such as AFROSAI-e and INTOSAI are mostly attributed for the result mentioned above. Previous studies show lack of sufficient professional auditors in conducting performance audit. (Tadele Dereje, 2012)

Post audit follow up

As indicated in annex 4, The results of the questionnaires distributed to auditors, indicated a mean response of 2.3073 for Q24-Q30 (7 items), and the standard deviation was .70686. The mean responses to all the other questions that would suggest were 2.3073, this implies that between 1.5 and 2.4 (low) in the scale. These results suggest that there is lower practice of post audit follow up of performance audit. The standard deviations 0.7070 for performance auditors suggest that there existed variability in ratings of the respondents. In seven of the questions, the auditors notion appear to suggest that there is lower practice of post audit follow up mostly because of the failure from OFAG side to conduct adequate post audit follow up, lack of Regular and Appropriate efforts by OFAG to ensure the implementations of action plans and failure to conduct follow ups on implementations of corrective actions relating to performance audit findings.

Performance audit effectiveness

As indicated in annex 5, Q31 – Q38 (8 items) in the questionnaires distributed to performance auditors relate to the performance audit effectiveness parameter. Auditors mean responses for the Questions were 2.4620 and the standard deviations were .53351. The mean responses of the auditors to the four questions under performance audit effectiveness were generally disagree or strong disagree, the four questions obtained mean responses between 1.5 and 2.4 (low) for auditors. The standard deviations of the responses were .05335 it means that value of the performance audit effectiveness can deviate from its mean to both sides by 53.35 percent. The majority of respondents mean indicated that they disagree or strongly disagree to the questions provided on the overall performance audit effectiveness in OFAG. The mean responses of the auditors to the questions imply that there is low level of effective performance audit and this is mostly attributed to the weakness of PAC committees in helping to enforce OFAG's

recommendations and also lack of Cooperation from auditees to auditors in relation to the performance auditors' opinion and recommendations they forwarded

Auditees Respondents

A set of questioners was distributed to officials of audited entities which hold a higher position. Of the distributed 51 questioners, 38 have been returned. The description of the returned questioners is briefed below

Profile of auditees Respondents

As indicated above the description of the returned questioners on Profile of auditees respondents is shown below in table 3.

Table: 3 Profile of auditees Respondents

Gender	Frequency	Valid Percent	Cumulative Percent
Female	17	44.74%	44.74%
Male	21	55.26%	100%
Level of education	Frequency	Valid Percent	Cumulative Percent
Diploma			
First degree	23	60.53%	60.53%
Masters and above	15	39.47%	100%
Department	Frequency	Valid Percent	Cumulative Percent
deputy general	9	23.68%	23.68%
chief concerned executive officers	16	42.11%	65.79%
chief auditing officers	13	34.21%	100%
How long have you worked in the organization?	Frequency	Valid Percent	Cumulative Percent
1 to 5 years	12	31.58%	31.58%
6 to 10 years	6	15.79%	47.37%
11 to 15 years	7	18.42%	65.79%
16 to 20 years	10	26.32%	92.11%
20 years and above	3	7.89%	100%

Source: Authors computation of the ,2016

Assessment on auditees' duty

As indicated above the description of the returned questioners on assessment on auditees' duty is shown below in table 4.

Table: 4 Assessment on auditees' duty

Available evidence which the auditors deemed it useful and necessary for auditing.	Frequency	Valid Percent	Cumulative Percent
No	9	23.68%	23.68%
Yes	29	76.32%	100%
submit action plan to implement the recommendations included in the performance audit report	Frequency	Valid Percent	Cumulative Percent
No	21	55.26%	55.26%
Yes	17	44.74%	100%
corrective measures, on recommendations and comments included in the audit reports sent by OFAG	Frequency	Valid Percent	Cumulative Percent
No	26	68.42%	68.42%
Yes	12	34.21%	100%
If the answer for the above question is no, Do inform the reasons to the Federal Auditor General OFAG	Frequency	Valid Percent	Cumulative Percent
No	22	84.62%	84.62%
Yes	4	15.38%	100%
assign a liaison officer who facilitates the communication between the auditors and the relevant staff, officials and concerned department	Frequency	Valid Percent	Cumulative Percent
No	4	10.53%	10.53%
Yes	34	89.47%	100%
Good communication with the performance auditors during the audit	Frequency	Valid Percent	Cumulative Percent
No	1	2.63%	2.63%
Yes	37	97.37%	100

Source: Authors computation of the, 2016

As indicated in table 3 it is clearly visible that item reveals that relatively large number of auditees respondents 21 (55.26%) are male however, the small number of auditees respondents 17

(44.74%) are female. The majority of the male auditees' officers are more than female so that they might have influence to cooperate the performance audit process of the OFAG.

Assessment of respondents' level of education portrays that 60.53% and 39.47%, are first degree and masters and above holders respectively. Thus, most government Ministry officers are educated and capable enough to understand about their duties as auditee.

9 (23.68%) of the respondents are deputy general (state ministers) in government ministry, 16(42.11%) of the respondents are chief concerned executive officers (Directors) and the remaining 13(34.21%) from chief auditing officers.

From the above table 3, most (31.58%) of the respondents indicated that they had been working in their respective ministry for a period of 1-5 years, 15.79% indicated that they have worked for a period between 5-10 years in their respective ministries. 18.42% of the respondents indicated that 11-15 years worked in the respective ministry. The respondents who worked for 16-20 years were 26.32%. Respondents who worked for 20 years and above had a percentage of 7.89%. These percentages were useful in giving information on the respondent's level of experience in the chief officer and to enable the researcher to assess whether the respondent has worked at the ministry long enough to be able to assess the respondent's duty with performance audit effectiveness.

According to the above table 4, The assessment on auditees' duty shows that auditee's do not shy away from giving the necessary information to auditors. 76% of the respondents say that they Make Available evidence which the Auditors deemed useful and necessary for auditing. And 24% of the respondents say the opposite. This shows that auditees do know OFAG'S right to get the necessary information and their duty to provide what they are asked for.

The assessment also shows that the majority of the auditees do not submit an action plan detailing the how and when of implementing the recommendation of performance audit reports. 55% of the respondents say that they do not submit action plan to implement the recommendations included in the performance audit report and 44% say they do. This shows that the majority of auditees are not familiar with their duty to produce and send an action plan to OFAG or perhaps, though they know they have a duty to produce an action plan, they rather choose to ignore it.

68% the respondents, on the issue of corrective measures, say that corrective measures are not taken by the respective audited entities based on the recommendations and comments detailed on the audit

report and 34% say corrective actions are indeed taken. This shows that the majority of audited entities are far behind from taking corrective actions basing the recommendation of performance audit reports. Of the set of respondents which have said that corrective measures are not taken by their respective audited entities, 84% of them say that they do not inform OFAG why they fail to take corrective action. This shows that the majorities of audited entities do not know or choose to ignore their Comply or explain duty in relation to taking corrective actions.

When it comes to liaison mechanisms, 89 % of the respondents say that they assign a liaison officer who facilitates the communication between the auditors and the relevant staff, officials and concerned department. This shows that the large majority of audited entities are good with their duty to assign liaison officer. 97 % of the respondents also say that they have Good communication with the performance auditors.

Descriptive result for Public Accounts Committee respondents

Another set of questioners was also distributed to member of the public accounts standing committees who reside at the parliament. Of the distributed 20 questioners, 17 have been returned. The description of the returned questioners is briefed below.

Profile of PAC Respondents

As described above the description of the returned questioners on Profile of PAC respondents is shown below in table 5.

Table: 5 Profile of PAC Respondents

Gender	Frequency	Valid Percent	Cumulative Percent
Female	10	58.82%	58.82%
Male	7	41.18	100%
Total	17	100%	
How long have you served in the committee?	Frequency	Valid Percent	Cumulative Percent
Less than one year	4	23.53%	23.53%
One year	8	47.06%	70.59%
Two years	1	5.88%	76.47%
Five and above	4	23.53%	100%
Total	17	100%	

Source: Authors computation of the,2016

Assessment on PAC contribution.

As described above the description of the returned questioners on Assessment on PAC contribution is shown below in table 6.

Table: 6 Assessment on PAC contribution.

The PAC benchmarks and draws the experience and best practice of other countries in relation with its responsibility supporting the work of OFAG	Frequency	Valid Percent	Cumulative Percent
No	12	70%	70%
Yes	5	30%	100%
The PAC together with OFAG conduct regular meeting and sessions with audited entities to follow up how the recommendation are being implemented			
No	13	76%	76%
Yes	4	24%	100%
The PAC together with OFAG takes the necessary action on audited entities which fails to implement the recommendations set by performance audit			
No	15	88%	88%
Yes	2	22%	100%
Filed visits are carried out by PAC together with OFAG to conduct on site check on the implementation of recommendations set by performance audit			
No	13	76%	76%
Yes	4	24%	100%
Enough arrangements are made by the PAC, to enhance performance audit practice in the country			
No	4	24%	24%
Yes	13	76%	100%
Government common services, projects and programs are adequately covered by performance audit?			
No	16	94%	94%
Yes	1	6%	100%
There is enough legal backing for OFAG which forces audited entities to implement the recommendations set on performance audit reports			
No	11	65%	65%
Yes	6	35%	100%
The PAC assist OFAG by identifying and correcting loophole in the current legal framework OFAG is working on			
No	12	70%	70%
Yes	5	30%	100%

Source: Authors computation of the SPSS, 2016

According to table 5 the majority of the respondents in the PAC members are female which is about 58.8%. Regarding experience 47%, 23%, 23% and 6% of the respondents are with one year, four years, less than one year and two years of experience respectively. This shows that most of the PAC members are new for the committee.

From the table 6 ,it can be seen that 70% of the respondents say that The PAC do not benchmark and draw experience and best practice of other countries in relation with its responsibility supporting the work of OFAG. Only 30% of the respondents say the PAC did. This shows that the PAC lags behind in looking the experience and practice of other countries and bringing and applying best practices that supports the work of OFAG.

For the question relating to the meeting on follow ups and implementation of recommendations, 76 % of the respondents say that the PAC together with OFAG do not conduct regular meeting and sessions with audited entities to follow up on how the recommendation are being implemented and 24% of the respondents say the opposite. This illustrate that the PAC fails short on conducting meetings with audited entities and OFAG to monitor weather and how performance audit recommendation are being implemented.

On matters relating with taking the necessary action, 88% of the respondents say that The PAC together with OFAG do not take the necessary action on audited entities who fail to implement the recommendations set by performance audit and 22 % say the PAC did. It can be seen from this figure that the PAC (and OFAG) are too lenient and fail to take action on audited entities which indeed fails to implement recommendation set by performance audit reports.

76% of the respondents also say that Filed visits are not carried out by PAC together with OFAG to conduct on site check on the implementation of recommendations set by performance audit. 24% of the respondents say that filed visits are carried out. This shows that enough filed visits are not being carried out that can help in checking wet recommendations are being implemented properly.

On the other hand, 76% of the respondents say that enough arrangements are made by the PAC, to enhance performance audit practice in the country where 24 % say the opposite. This shows that the PAC is rather performing well to enhance performance audit practice in the country.

The respondents indicate that there is a serious limitation on the coverage of performance audits. 94% of the respondents say that government common services, projects and programs are not adequately covered by performance audit and only 6% say this shows that there are large areas, common services, projects and programs yet to be covered by performance audit.

In relation to legal backing 65 % of the respondents say that there is not enough legal backing for OFAG to force audited entities implement the recommendations set on performance audit reports where 35 % say that there is enough legal backing. This shows that there still are legal gaps to be filled so as to help OFAG perform its duties.

70 % of the respondents say that The PAC fails to assist OFAG by identifying and correcting loophole in the current legal framework OFAG is working on where 30% of the respondents say that the PAC do assist OFAG on their matter. This shows that the PAC is yet to be of a great assistant to OFAG by identifying and correcting loophole in the current legal framework.

4.3 Reliability Tests of the Instrument

Pilot study (preliminary test) was carried out using convenient sampling method in the office of federal auditor general having the same characteristics with the participants of the main study. The advantage of doing a pilot study include; it helps to detect potential defects in the measurement procedures, it assists in identifying ambiguous items, and it allows the researcher to become aware of nonverbal behavior that may occur due to the wording question. Therefore, the researcher tried to insure the reliability and validity of the questionnaire. To measure the reliability of the questionnaire, the researcher applied a preliminary reliability test from 46 performance auditors. According to different statistic book a reliability coefficient exceeding 0.5 for any test or scale was acceptable reliability coefficient. Therefore, as we can see the (Cronbach’s alpha) indicates that the questionnaire administered in this study, eleven items are reliable and the remaining items are extremely reliable.

Table: 7 reliability analysis

Variables	N of Items	Cronbach's Alpha
Legal mandate	6	0.927
Adequate and competent professional	11	0.789
Post audit follow up	7	0.899
Performance audit effectiveness	8	0.866

Source: author’s computation with SPSS,2016

From the above table 6, it is seen that the reliability value was estimated to be $\alpha = 0.514-0.931$ between the scale. If the above calculated reliability values are compared with the standard value alpha of 0.5 advocated by Cronbach's, then it can be safely assumed that the scales used by the research are reliable for data analysis.

4.4 Correlation

Table: 8 correlations

		EPA	LM	ACP	PAF
	Pearson Correlation	1			
EPA	Sig. (2-tailed)				
	N	46			
	Pearson Correlation	.465**	1		
LM	Sig. (2-tailed)	.001			
	N	46	46		
	Pearson Correlation	.518**	.257	1	
ACP	Sig. (2-tailed)	.000	.708		
	N	46	46	46	
	Pearson Correlation	.732**	.378	.445**	1
PAF	Sig. (2-tailed)	.000	.235	.002	
	N	46	46	46	46

** . Correlation is significant at the 0.01 level 1-tailed).

Source: Authors computation of the SPSS,2016

Pearson product moment correlation coefficient (r) was used to determine the strength of relationship between the dependent (PAE) and independent variables (LM, ACP&PAF). It is a parametric technique which gives a measure of the strength of association between two variables.

As it can be shown in the above correlation matrix, each variable is perfectly correlated with itself and so $r=1$ along the diagonal of the table. Performance audit effectiveness is positively and significantly related to legal mandate with a Pearson correlation coefficient of $r = .465, p < 0.01$, adequate and competent professionals' with $r=.518, p < 0.01$ and post audit follow up are significantly related to dependent variables.

Another method is to produce a Collinearity diagnostics with the use of SPSS, and one of which is the variance inflating factor (VIF). The VIF indicates whether a predictor has strong linear relationship with the other predictor(s). Although there are no hard and fast rules about what

value of the VIF should be a cause for concern, Field (2000) suggests that value of 10 is good value at which to worry. Field (2000), and suggest that if the average VIF is greater than 1, then multicollinearity may be biasing the regression model. Related to the VIF is the tolerance statistics, which is a reciprocal of VIF (1/VIF). Such values below 0.2 are worthy of concern. Considering the regression model for this study correlation matrix of all of the predictor variables less than or equal to 0.732 and the tolerance statistics values are all below 1 (see tables 8 and 11) as such no multicollinearity is observed in this model.

4.5 Autocorrelations

Autocorrelation is adjacent residuals of any two observations not being independent of each other or correlated. For any two observations the residual terms should be uncorrelated (or independent). This eventually is sometimes described as a lack of autocorrelation. This assumption can be tested with the Durbin-Watson test, which tests for social correlation between errors. Specifically, it tests whether adjacent residuals are uncorrelated. The test statistics for this can vary between 0 and 4 with a value of 2 meaning that the residuals are uncorrelated (Field, 2009). In our model the value of the test is closer to 2 (1.633). So it can be safely assumed that there is no problem of autocorrelation (see tables 9).

4.6 Multiple Regression Results

In this study, multiple regression analysis was carried out to get the predictive value of the constructs considered. Since the model is developed in such a way that each construct is being affected by other constructs, it is necessary to carry out a separate regression analysis against each variable which are considered to be affected by other variables. This was basically made to determine the linear combination of the constructs.

Regression of performance audit Effectiveness (PAE) on Legal mandates(LM), Adequate and competent professionals’(ACP),and Post audit follow up (PAF)

Table: 9

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.838 ^a	.702	.680	.28263	1.633

a. Predictors: (Constant), PAF, LM, ACP

b. Dependent Variable: EPA

Table: 10**ANOVA^a**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.895	3	2.632	32.974	.000 ^b
	Residual	3.352	42	.080		
	Total	11.247	45			

a. Dependent Variable: EPA

b. Predictors: (Constant), PAF, LM, ACP

Table: 11**Coefficients^a**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.039	.304		.267	.543		
	LM	.234	.157	.351	3.096	.003	.968	1.194
	ACP	.409	.095	.628	6.565	.000	.599	1.468
	PAF	.357	.121	.559	5.848	.000	.779	1.284

a. Dependent Variable: EPA

From Table 9, it can be seen that the multiple R(correlation) value of 0.838 (83.8%) indicates a highly positive relationship between the dependent and independent variables and R Square value for the model showed that 70.2% of the dependent variable in the model can be predicted by the independent variables. Moreover, adjusted R square value for the model shows that 68% of goodness of fit of the model is moderate.

Table 10 presents the ANOVA report on the general significance of the model. As **p** is less than Criteria value at 0.05, the model is significant. Thus, the combination of the independent variables (Legal mandate, Adequate& competent professionals and post audit follow up) significantly predicts the dependent variable (performance audit effectiveness) ($p < 0.05$).

Table 11 shows the Beta Coefficients that present the contributions or positive relationship of each variable to the model. The **t** and **p** values showed the influence of the independent variables on the dependent variable. From this, it is clear that the adequate and competent professionals' and post audit follow up had the highest affecting on performance audit effectiveness with legal

mandate. According to coefficient results, all predictors are positively related to dependent variables and are significant.

Thus, the model for predicting perceived performance audit effectiveness becomes:

$$\text{PAE} = 0.390 + 0.234\text{LM} + 0.409\text{ACP} + 0.357\text{PAF}$$

Where: TAE= performance audit effectiveness, LM= Legal mandate, ACP= adequate and competent professionals' and PAF=Post audit follow up.

The *b*-values (beta coefficient) tell us about the relationship between the outcome and each predictor. If the value is positive we can tell that there is a positive relationship between the predictor and the outcome, whereas a negative coefficient represents a negative relationship. For these data all predictors have positive *b*-values indicating positive relationships. So, there is a positive relationship between the predictors (Legal mandate, Adequate and competent professionals and post audit follow up) and an outcome (performance audit effectiveness) since the value of beta coefficient is positive. Therefore, Legal mandate, Adequate and competent professionals and post audit follow up are good, performance audit effectiveness will also improved.

4.7 Hypothesis Test

Based on the regression analysis of the above model, the legal mandate has a positive effect or Correlation on performance audit effectiveness ($\beta = 0.234$, $p < 0.05$). Hence, hypothesis 1 was supported. It implies that legal mandate has a positive influence on performance audit effectiveness. The previous study has presented there were positively related to legal mandate and dependent variables (Nusrat Ferdosi,2012 and Danielle Morin,2001).

There is a positive relationship between adequate& competent professionals' and performance audit effectiveness ($\beta = 0.409$, $p < 0.05$), providing support for hypothesis 2. It indicates that adequate and competent professionals' has a positive influence on performance audit effectiveness. The previous study has presented there were positively relationship between adequate & competent professionals and performance audit effectiveness (Tadele dereje,2012 & Nusrat Ferdosi,2012 and Danielle Morin,2001).Based on the regression analysis of the above model, post audit follow up also has a positive effect or correlation on performance audit effectiveness ($\beta = 0.357$, $p < 0.05$). Hence, hypothesis 3 was supported. It implies that post audit follow up has a positive influence on performance audit effectiveness.

Lastly, in the model adequate and competent professionals and post audit follow up have a dominant influence on perceived performance audit effectiveness than the legal mandate. It contributes 40.9% (23.4% contribution of legal mandate and 35.7% contribution of post audit follow up) for performance audit effectiveness. Hence, it provides strong support for hypothesis 2 and 3.

CHAPTER FIVE

5. Summary, conclusion and recommendation

5.1 Summary of Major Findings

According to the regression output Legal Mandate, adequate and competent professional staff and post audit follow up, as a linear combination significantly influence performance audit effectiveness in the organization under the study. However, as individual predictor: the current setting of Legal mandate is not significant enough to undermine performance audit effectiveness. The findings of the present study are also in conformity (consistent) with the observations of earlier studies on legal mandate, and adequate and competent professional staff are significant influence on conducting performance audit (Tadele Dereje, 2012).

The Legal Mandate is low in explaining the model of performance audit effectiveness.

Adequate and competent professional staff and Post audit follow up are a dominant factor in predicting performance audit effectiveness.

Thus, Adequate and competent staff and Post audit follow; in comparison to legal mandate has greater influence on performance audit effectiveness.

The results of study demonstrated that lack of Adequate and competent staff and absence of Post audit follow up, extends noticeable influence on perception of performance audit effectiveness. The influence of Adequate and competent staff on performance audit effectiveness may be attributed to the lack of man power planning and failure to attract and retain adequate professionals. Whereas the influences of post audit follow up on performance audit effectiveness may be attributed to the lack of post audit assessment on the implementation of performance audit recommendation.

The research examines the auditees' duty and PAC contribution during and after performance auditing. Findings of the research from the response of auditee respondents indicated that majority of Audited entities fail to submit and follow action plan detailing the implementation of performance audit recommendations. The study also found from PAC respondents that, public accounting committee has a long way to go when it comes to on-site inspection and conducting meeting session that can help OFAG in its operation and further strength the implementation of

performance audit recommendations. Thus it can be concluded that the above mentioned factors impeded performance audit effectiveness.

5.2 Conclusions

According to previous researchers, legal framework of Independence, leadership and strategy; adequacy of staff resources (the number and skills of staff available to the SAI); the adequacy of other key resources available to the SAI, INTOSAI standards and International Standards on Auditing (ISAs); relations with external stakeholder including PAC and the actual outcomes achieved by the SAI (timeliness, monitoring and follow Up) are factors that affect the practice of performance audit. According to Waring and Morgan (2007), a few of the factors are present in some countries in sub-Saharan Africa. Even the most advanced countries around the world will not have all of the factors fully in place. By taking this aspect into consideration, this study has identified three major factors that affect performance audit effectiveness in OFAG and then analyzed the organizational dimensions in which OFAG should carry out to enhance Performance audit effectiveness. And also by testing of the proposed hypotheses showed relations of these independent variables with the PAE the following conclusions were drawn.

The PAE of OFAG increases, when there is clear legal mandate, have adequate and competent professional staff in the office combined with the post audit follow up. The regression analysis (shown on table 9) shows very strong contributions of these variables for the PAE. Therefore, the overall effect of the legal mandate, the existence of adequate and competent professional staff, and the availability of post audit follow up in OFAG is very important for the PAE in OFAG.

In addition, the correlation analysis (shown on table 8) shows all the independent variables have the direct effect of the performance audit effectiveness (PAE) and the regression result also depicts all the independent variables (predictors) were positively and significantly contributed (shown on table 4.8) for the effectiveness of performance audit in office of federal auditor general of Ethiopia .

The theoretical and empirical works on the area of performance audit trends and its effectiveness are reviewed. As indicted in the knowledge gap part the researcher couldn't get direct studies conducted on the factors affecting the effectiveness of performance audit in Ethiopia. To fill this gap the current study conducted using quantitative method.

5.3 Recommendations

On the base of the findings/conclusion derived; the following recommendation are made by the researcher. In order to improve the performance audit effectiveness the following points are of importance to be considered:

- ❖ As it is explained adequate and competent professional staff plays a significant role on performance audit effectiveness; OFAG should emphasis on that predictor as it has an influence on quality
- ❖ Look in to several schemes which can help OFAG to get and attain adequate and competent staff which can help it develop the right performance audit team matrix for each engagements
- ❖ Oversee the implementation of recommendations stated on performance audit reports by conducting regular post audit follow ups
- ❖ Work with PAC committee and use them as a tool to enforce and oversee how the results of performance audits are being implemented by the audited entities
- ❖ Encourage and push audited entities to submit action plan with brief time and cost schedule that clearly shows the when and how of implantations of performance audits recommendations

5.4 Future Research Implications

The results will have important implications and is believed to be helpful for OFAG and the relevant stakeholders. While this study has revealed some interesting results, one should be careful of its limitations related essentially to its scope of the study. And as mentioned earlier, this study employs quantitative methods with the aims to t examine factors affecting performance audit effectiveness in case of office of federal auditor general of Ethiopia. Therefore in our opinion, next to a quantitative research component, a qualitative research component is essential to studies attempting to examine and/or to investigate factors that affect performance audit effectiveness.

Though the researcher believes that this study is deep, it is still believed that it must be further extended to include more factors and respondents to make it more realistic and more reliable.

Finally, due to different factors I couldn't touch other dimensions of performance audit effectiveness. Thus, further research needs to contain more desirable dimensions, in order to gain better insight.

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APPENDICES:

Annex 1:

Descriptive Statistics for questioners on Legal Mandate

	N	Minimum	Maximum	Mean	Std. Deviation
Q7The Auditor General has the necessary legislative mandate to carry out the performance audit?	46	2	4	3.59	.777
Q8The Auditor General has strong mandate that enables it to have and determine its own financial and human resource requirement	46	1	5	3.48	.937
Q9There is a strong legal backing for audits including performance audit OFAG is conducting	46	1	2	1.98	.147
Q10.There are enough mechanisms established to enforce the legal mandate OFAG has been given	46	1	5	3.48	.937
Q11.OFAG has the power to produce/amend or adopt performance audit standards	46	2	4	3.59	.777
Q12.OFAG has the freedom to select audit areas to conduct performance audits on	46	1	2	1.98	.147
LEGAL MANDATE	46	2.17	4.67	3.1028	.85513
Valid N (listwise)	46				

DESCRIPTIVES VARIABLES=Q7 Q8 Q9 Q10 Q11 Q12 LM
/STATISTICS=MEAN STDDEV MIN MAX.

Source: Authors computation of the SPSS,2016

Descriptive Statistics for questioners on Adequate and competent staff

	N	Minimum	Maximum	Mean	Std. Deviation
Q13There are mechanisms to ensure that auditors have the required knowledge level to conduct a performance audit	46	1	44	3.39	6.188
Q14Auditors currently conducting performance audit have the professional skill needed to produce an effective performance audit	46	1	4	2.65	1.016
Q15Team leaders and supervisors assigned to conduct performance audits have enough practical experience	46	1	4	2.37	.878
Q16Performance auditors are encouraged to upgrade their skills and knowledge via several short and long term trainings	46	1	4	2.65	1.016
Q17Team matrix is arranged in a way that match the area being audited	46	1	4	2.41	.933
Q18The pre-condition to get competent employees such as good enough salary and benefits are present	46	1	4	2.59	.979

Q19 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	46	1	4	2.43	.886
Q20 Performance auditors are adequately involved in planning sessions	46	1	5	2.54	.936
Q21 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	46	1	4	2.57	.910
Q22 The auditability of areas selected for performance audit are tested before human and financial resource allotted to conduct the audit	46	1	4	2.46	1.005
Q23 Sufficient and appropriate evidences are gathered by OFAG auditors in all stages of performance audit.	46	1	5	2.54	.936
ADEQUATE AND COMPETENT PROFESIONALS	46	1.29	4.43	2.6724	.80483
Valid N (listwise)	46				

DESCRIPTIVES VARIABLES=Q13 Q14 Q15 Q16 Q17 Q18 Q19 Q20 Q21 Q22 Q23 ACP
 /STATISTICS=MEAN STDDEV MIN MAX.

Annex 3:

Descriptive Statistics for questioners on post-audit follow up

	N	Minimum	Maximum	Mean	Std. Deviation
Q24 Audited entities follow the action plans they submit	46	1	5	2.39	.954
Q25 Appropriate action plans are prepared and submitted by audited entities to OFAG based on the recommendations forwarded on audit reports	46	1	5	2.33	.818
Q26 Regular and Appropriate efforts were made by OFAG to ensure the implementations of action plans	46	1	4	2.20	.619
Q27 OFAG conduct adequate post audit follow up	46	1	5	2.26	.929
Q28 OFAG follow up implementations of corrective actions relating to performance audit findings	46	1	4	2.24	.639
Q29 OFAG effectively uses the PAC committees in ensuring the implementation of performance audit recommendations by audited entities	46	1	5	2.33	.818
Q30 PAC committees are strong enough in helping to enforce OFAG's recommendations	46	1	5	2.35	.971
POST AUDIT FOLLOW UP	46	1	4.09	2.3073	.70686
Valid N (listwise)	46				

DESCRIPTIVES VARIABLES=Q24 Q25 Q26 Q27 Q28 Q29 Q30 PAF
/STATISTICS=MEAN STDDEV MIN MAX.

Annex 4:

Descriptive Statistics for questioners on Effective Performance Audit

	N	Minimum	Maximum	Mean	Std. Deviation
Q31 Enough Cooperation is offered by auditees to auditors in relation to the performance auditors' opinion and recommendations they forwarded	46	1	4	2.09	.626
Q32 Relevant changes are made by auditees to management practices that shall go with the recommendation of the performance audit	46	1	4	2.04	.556
Q33 .There is a positive perception by the auditees of the usefulness of the audit	46	1	4	2.28	.720
Q34 Enough Cooperation is offered by auditees to auditors in relation to the performance auditors' finding and recommendations they forwarded .	46	1	4	2.13	.859
Q35 There is a positive perception by the auditees of the added value of the performance audit OFAG conducts	46	1	4	2.17	.825
Q36 OFAG organize stimulation of debate with in the audited organization	46	2	5	3.67	.790
Q37 There is willingness to accept the auditors' recommendations by auditee	46	1	5	2.67	1.012

Q38OFAG organize stimulation of debate in the Parliament with auditee	46	1	4	2.61	1.000
PERFORMANCE AUDIT EFFECTIVNESS	46	1.25	4.25	2.4620	.53351
Valid N (listwise)	46				

DESCRIPTIVES VARIABLES=Q31 Q32 Q33 Q34 Q35 Q36 Q37 Q38
/STATISTICS=MEAN STDDEV MIN MAX.

Source: Authors computation of the SPSS,2016

Questionnaires Developed for the research

**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE
MSc in Accounting and auditing program**

Title of The Research: factors affecting performance audit effectiveness in case of office of auditor general of Ethiopia

Address: Yodit Birhanu , Mob. 0911 48 64 72, e-mail:jude_kenea@yahoo.com,
Addis Ababa, Ethiopia

Directions: The purpose of this survey is to collect data for factors affecting performance audit effectiveness in case Office of auditor general of Ethiopia. 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 thesis. Your participation will help the researcher to better understand her knowledge on the research title. 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. Please indicate the appropriate answer with each of the following statements by placing a \surd mark on the space provided. For further information, please contact in the above mentioned address.

Thank you!

PART 1: Questionnaires for performance auditors

Section A : Questions related to profile of Federal office of auditor general performance audit staffs
Please read the following items comprehensively and give your response. The responses may require choice one circle only ()on the appropriate answers..

1. Gender:

- 1 Female 2 Male

2. The educational Bach ground.

- 1 Technical / vocational certificate (Diploma)
- 2 Bachelor's Degree
- 3 Master's degree
4. CAP or ACCA
5. PHD
6. Other (specify) _____

3. Field of study

1. Accounting
2. Management
3. Economics
4. Other social sciences
5. other ,specify the field's of study

4. How long have you been working in performance audit?

1. Less than 5 years
2. 6 to 10 years
3. 11 to 15 years
4. 16 to 20 years
5. Over 20 years

5. Current position in your Audit office _____

1. Audit director
2. Senior manager
3. Senior auditor
4. Auditor

6. Are you satisfied with your current salary?

- Yes · 1
No · 0

SECTION B: - Questions Related To Measure Audit Effectiveness.

Please indicate the extent to which you are strongly agree to strongly disagree with each of the following statements by placing only one circle on the scale provided. The scale should be treated as a continuous range from "strongly agree" to „strongly disagree

Statement on a clear legal mandate that enables the exercise of effective performance audit	SD 1	D 2	N 3	A 4	SA 5
7.The Auditor General has the necessary legislative mandate to carry out the performance audit?	SD	D	N	A	SA
8.The Auditor General has strong mandate that enables it to have and determine its own financial and human resource requirement	SD	D	N	A	SA
9.There is a strong legal backing for audits including performance audit OFAG is conducting	SD	D	N	A	SA
10. There are enough mechanisms established to enforce the legal mandate OFAG has been given	SD	D	N	A	SA
11. There are enough special regulations other than the proclamation OFAG has been re- established to assert the mandate OFAG has on auditees	SD	D	N	A	SA
12. OFAG has the freedom to select audit areas to conduct performance audits on	SD	D	N	A	SA
Statement on Adequate and competent professional to conduct effective performance audit					
13. There are mechanisms to ensure that auditors have the required knowledge level to conduct a performance audit	SD	D	N	A	SA
14. Auditors currently conducting performance audit have the professional skill needed to produce an effective performance audit	SD	D	N	A	SA
15. Team leaders and supervisors assigned to conduct performance audits have enough practical experience	SD	D	N	A	SA

16. Performance auditors are encouraged to upgrade their skills and knowledge via several short and long term trainings	SD	D	N	A	SA
17. Team matrix is arranged in a way that match the area being audited	SD	D	N	A	SA
18. The pre-condition to get competent employees such as good enough salary and benefits are present	SD	D	N	A	SA
19. 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	SD	D	N	A	SA
20. Performance auditors are adequately involved in planning sessions	SD	D	N	A	SA
21. 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	SD	D	N	A	SA
22. The auditability of areas selected for performance audit are tested before human and financial resource allotted to conduct the audit	SD	D	N	A	SA
23. Sufficient and appropriate evidences are gathered by OFAG auditors in all stages of performance audit.	SD	D	N	A	SA
Statement on Effective practice of post audit follow up performance audit					
24. Audited entities follow the action plans they submit	SD	D	N	A	SA
25. Appropriate action plans are prepared and submitted by audited entities to OFAG based on the recommendations forwarded on audit reports	SD	D	N	A	SA
26. Regular and Appropriate efforts were made by OFAG to ensure the implementations of action plans	SD	D	N	A	SD
27. OFAG conduct adequate post audit follow up	SD	D	N	A	SA
28. OFAG follow up implementations of corrective actions relating to performance audit findings	SD	D	N	A	SA
29. OFAG effectively uses the PAC committees in ensuring the implementation of performance audit recommendations by audited entities	SD	D	N	A	SA

Effectiveness of performance audit					
30. PAC committees are strong enough in helping to enforce OFAG's recommendations	SD	D	N	A	SA
31. Enough Cooperation is offered by auditees to auditors in relation to the performance auditors' opinion and recommendations they forwarded	SD	D	N	A	SA
32. Relevant changes are made by auditees to management practices that shall go with the recommendation of the performance audit	SD	D	N	A	SA
33. There is a positive perception by the auditees of the usefulness of the audit.	SD	D	N	A	SA
34. Enough Cooperation is offered by auditees to auditors in relation to the performance auditors' finding and recommendations they forwarded	SD	D	N	A	SA
35. There is a positive perception by the auditees of the added value of the performance audit OFAG conducts	SD	D	N	A	SA
36. OFAG organize stimulation of debate with in the audited organization	SD	D	N	A	SA
37. There is willingness to accept the auditors' recommendations by auditee	SD	D	N	A	SA
38. OFAG organize stimulation of debate in the Parliament with auditee	SD	D	N	A	SA

PART 2: budgetary institutions at ministry level(AUDITED ENTITY)

Please read the following items comprehensively and give your response. The responses may require only choice one circle () on the appropriate answers .

SECTION A :- Questions related to profile of auditee

39. Gender:

male=1 female=0

40. What is your level of education?

- 1 Diploma
- 2 First degree
- 3 Masters and above

41. Please indicate your: Department:

- 1 deputy manager, deputy general
- 2 chief concerned executive officer,
- 3 chief auditing officer

42. How long have you worked in the organization?

- 1- 1 to 5 years
- 2- 6 to 10 years
- 3- 11 to 15 years
- 4- 16 to 20 years
- 5- 20 years and above

SECTION B :- Questions related to assessment on auditee Duties

Items on auditees Duties	yes 1	No 0
43. Does your organization, upon request by the performance Auditors of the Office of the Federal Auditor General, make available evidence which the Auditors deemed it useful and necessary for auditing.	1	0
44. Does your organization submit action plan to implement the recommendations included in the performance audit report	1	0
45. Does your organization take corrective measures, on recommendations and comments included in the audit reports sent by the Federal Auditor General	1	0
46. If the answer for the above question is no, Do inform the reasons to the Federal Auditor General	1	0
47. Does your organization assign a liaison officer who facilitates the communication between the auditors and the relevant staff, officials and concerned department	1	0
48. Do the relevant staffs of your organization had a good communication with the performance auditors during the audit	1	0

Part III: Public Accounts Committee

Section A :- Questions related to profile of Public Accounts Committee

Please read the following items comprehensively and give your response. The responses may require only choice one circle () on the appropriate answers..

49. Gender:

1 Female 2 Male

50. How long have you served in the committee?

- 1 One year
- 2 Two years
- 3 Three years
- 4 Four years
- 5 Five and above

SECTION B :- Questions related to assessment on PAC contribution.

Items related to PAC contribution	Yes	No
	1	0
51. The PAC benchmarks and draws the experience and best practice of other countries in relation with its responsibility supporting the work of OFAG	1	0
52. The PAC together with OFAG conduct regular meeting and sessions with audited entities to follow up how the recommendation are being implemented	1	0
53. The PAC together with OFAG takes the necessary action on audited entities which fails to implement the recommendations set by performance audit	1	0
54. Filed visits are carried out by PAC together with OFAG to conduct on site check on the implementation of recommendations set by performance audit	1	0

55. Enough arrangements are made by the PAC, to enhance performance audit practice in the country	1	0
56. Government common services, projects and programs are adequately covered by performance audit e?	1	0
57. There is enough legal backing for OFAG which forces audited entities to implement the recommendations set on performance audit reports	1	0
58. The PAC assist OFAG by identifying and correcting loophole in the current legal framework OFAG is working on	1	0

Annex 6-List of audited entities

no	List of government Ministry	Topic of the performance audit
1.	Ministry of Culture & Tourism;	Efficiency of the tourism service
2.	Ministry of Federal & Pastoralist Development Affairs;	Pastoralist Affairs and interrelation among stakeholders ;
3.	Ministry of Industry;	export trade performance of industrial products
4.	Ministry of Trade;	Export performance of agricultural products for which a direct control system is not implemented
5.	Ministry of Environment, Forest & Climate Change;	The implementation and regulation of environmental protection system
6.	Ministry of Finance & Economic Cooperation;	Government projects' performance
7.	Ministry of Children & Women;	The implementation of gender related issues among all sectors
8.	Ministry of Mines, Petroleum & Natural Gas;	<ol style="list-style-type: none"> 1. Precious and semi-precious minerals licensing and administration procedures 2. The development of the mining sector and its relationship with social and environmental security
9.	Ministry of Agriculture and Natural Resources;	<ol style="list-style-type: none"> 1. Crop extension program performance 2. The development and protection of forest resource 3. The effectiveness of cattle development

		4. Pesticides use and waste removal efficiency
10.	Ministry of public service and human resource development	Effective, efficient and economical implementation of BPR
11.	Ministry minister of Education;	<ol style="list-style-type: none"> 1. The effective and efficient performance of cost sharing program 2. Capacity building program of universities the case of 23 universities 3. Technological transferring mechanisms and methods in technical and vocational education programs 4. Ethics of higher education students and the negative influence of institutional and environmental factors
12.	Ministry of Health;	<ol style="list-style-type: none"> 1. Efficiency and effectiveness of service delivery of referral hospitals 2. Performance of health centre construction by GIZ
13.	Ministry of Labour & Social Affairs;	<ol style="list-style-type: none"> 1. Social dangers and related matters 2. Licensing of brokers on matters related to foreign work seekers
14.	Ministry of Water, Irrigation & Electricity;	<ol style="list-style-type: none"> 1. Performance of water construction projects at the federal level funded by foreign aid providers 2. Irrigation development performance 3. Performance of Kesseem Tendaho irrigation development project
15.	Ministry of State Enterprises;	<ol style="list-style-type: none"> 1. Rented and co-owned government enterprises 2. Industry fund allocation 3. Collection of sales processed of sold government enterprises
16.	Ministry minister of Science	1. Tse Tse fly control and prevention program

	& Technology;	2. The interaction of industrial products with since and technological advancement
17.	Ministry of Housing & Urban Development;	<ol style="list-style-type: none"> 1. Urban planning and implementation arrangement 2. Construction office building for federal institution 3. Regulation of building and house construction

Source: OFAG 2015 report and evaluation