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Prospect and Challenges of performance audit: in case of three federal public organizations

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Declaration*

I, Rahel H/mariam declare that, this project paper prepared for the partial fulfillment of the requirements for MSC. Degree in Accounting and Auditing entitled “Prospect and Challenges of performance audit: in case of three federal public organizations” is prepared with my own effort. I have made it independently with the close advice and guidance of my advisor.

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List of acronyms and abbreviation:

INTOSAI: The International Organization of Supreme Audit Institutions

AFROSAI: African Organization of English-Speaking Supreme Audit Institutions

GAAS: Generally Accepted Auditing Standards

GAGAS: Generally Accepted Government Auditing Standards

MOFEC: Ministry of finance and Economic cooperation

OFAG: Office of the Audit General

Abstract

The purpose of this study is to identify Prospect and Challenges of performance audit: in case of three federal public organizations. Based on literature reviews, the researcher identified three factors that challenge performance audit. This includes Auditors autonomy and interference from stakeholders, Budget and resource allocated to Audit Unit and Professional Audit standards. To this effect, descriptive survey research method with mixed research design was employed. The researcher used primary and secondary source of data in this study. To collect primary data, the researcher used questionnaires and accordingly 51 questionnaire were distributed and secondary data were collected from Ministry of Finance and Economic Cooperation inspection directorate annual report,MOFEC(2013)Performance Audit Manual, Standards and Implementation Guide, proclamations and other related documents. The data were analysed by Descriptive statics. The descriptive statistics part was analysed using mode, mean and standard deviation by using STATA software.

The findings of the study revealed that top management of the public organization interfere in the work of performance auditor; the most common challenge of performance audit are in availability of sufficient manpower, inadequacy of compensation paid for auditor , non-availability of other resource, lack of knowledge, skill and experience in conducting performance audit.; lack of properly identifying high risk area and developing evaluation criteria ; Lack of proper documentation from the auditee side and Lack of clearly identifying the accountable; the leadership lack attention ,knowledge, positive outlook for performance audit.

In light of the findings, the researcher recommended proper attention needs to be given by top level managers and government higher official for performance audit to bring a change in public finance.

Key words: *Auditors autonomy and interference from stakeholders, Budget and resource allocated to Audit Unit and Professional Audit standards.*

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The role of the Internal Audit traditionally has been limited to expressing recommendations on financial statements and related issues of legality, regularity and fraud. However, this approach does not provide information on waste, inefficiency or ineffectiveness. Increased public expenditure, the need for more rational and informed decision making in the use of resources and the growing demand for public accountability of those who manage public resources necessitated a new and expanded scope audit—performance audit.

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. 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.

Performance audit is an independent assessment of the extent to which an organization, ministry, commission, a program, an activity etc. Operates economically, efficiently, effectively and with due regard for environment. It, in a broad sense, is largely concerned with management control audit in securing and accomplishing its mission in an economical, efficient and effective manner (Nusrat, 2012).

Today, performance audit has become one of the major tasks in most developed and in some developing countries. According to Financial administration proclamation 648/2001 (E.C) article No 7 sub article 1 (a) Internal audits in Ethiopia are already provided with mandates to undertake performance audit in the public bodies. Traditional financial and compliance audits will continue to play an essential part; it is anticipated, however, that there will be a gradual and planned growth of performance audit work.

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.

1.2 Statement of the Problem

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. It is an important building block with which to improve accountable and responsive governance of public resources.

As government programs continue to grow in magnitude and complexity, public sector auditing has evolved and extended its scope beyond mere financial or compliance audits to the auditing of performance to support policy makers in their oversight role (Colleen G. Waring & Stephen I.M, 2007).

To realize the benefit of performance, audit the Federal Government of Ethiopia (FGE) have devised legal framework to for putting in place performance auditing practice. Accordingly, the proclamation of the Federal Auditor General Proclamation number 982/2016) promulgated performance audit as one of the objectives of this office (Art 4 sub article 3).

But its coverage in federal government level is low and as result insufficient performance audit reports accessible to the public or parliament (Tedebe, 2012). Moreover, as we can understand from the Annual report of MOFEC in year 2008 E.C out of 159 only 26 public organizations and in Year 2009 E.C out of 164 only 27 organization conducted performance audit (MOFEC, 2008 E.C & MOFEC, 2009 E.C).

Studying the challenge of performance audit attract the interest of some researcher. Accordingly, Nusrat (2012) stated that conducting performance audit requires well –equipped manpower, longer time frame, more resources and greater involvement of both auditor and auditee. Similarly, Mariaan (2011) find out that the major challenges when conducting the appropriate quantity and quality of performance audits has been to find enough performance auditors suitably qualified to effectively put theory into practice. Moreover, Ferdousi (2012) in his study indicated that the challenges in the implementation phase of performance audit comprise insufficient and incompetent manpower, unable to recruit consultant when needed, lack of awareness and absence of pre-set goals among the auditees.

All this studies try to highlight the challenges of performance audit but their finding is not exhaustive, the studies focused on specific issues. For example, the study of Ferdousi (2012) focuses on implementation phase of performance audit.

Tedele Dereje (2012) undertake research on the role of performance Audit in fighting corruption using evidence from FDRE and Oromia National Regional State. The finding of the research clarify that performance audit is not yet matured due to various factors and problems such as lack of sufficient professional auditors and cooperation of auditees, less legislature attention, inadequate transportation and documentation system, lack of awareness by auditee, lack of support materials and resources such as book, and infrastructure facilities faced them. The research also claims that due to absence of strong relationship between Office of the Auditor General and Ethics and Anti-Corruption Commission in both states the finding of performance audit those indicate lacks of economy, of inefficiency and of ineffectiveness and provide corruption suspicion are not used.

As to the best of the researcher knowledge there is lack of research in addressing the reasons why the majority of the public organization did not undertake performance audit and about the perspective of performance audit in Ethiopia.

Therefore, with the above situations in mind the researcher assesses the challenges and perspective of performance audit in public organization.

1.3 Research Question

What are the reasons or not undertaking performance audit by public internal auditors?

- What are the challenges public internal auditors' faces when conducting performance audit in public organization?
- What are the prospects of performance audit in federal public organization?

1.4 Objective of the Study

1.4.1 General Objective

The objective of study is to assess prospect and challenges of performance audit in federal public body and recommend possible solution to the concerned body /Ministry of Finance and Economic Cooperation or MoFEC/ and Government public organizations and other concerned bodies to enhance the achievement of the economy, efficiency and effectiveness of the federal government of Ethiopia sound financial Management.

1.4.2 Specific Objectives

The specific objectives of the study include:

- To investigate the reasons why federal public internal auditors are not undertaking performance audit.
- To find out challenges of performance audit practice in Federal Public internal auditors.
- To examine the prospect of performance audit practice in Federal Public Organization.
- To assess the independency of internal auditors in doing the performance audit activities.
- To evaluate budget and resource allocation for audit unit.
- To assess internal auditors competency and experience in doing performance audit.

1.5 Significance of the Study

This study will contribute to identify the problem and provide possible solution of performance audit practice. Besides it is expected that the final recommendation will serve as a spring board to the Federal Government of Ethiopia (FGE) in order to move forward and speedup the implementation of performance audit; hence ultimately it helps to maximize the macro-economic development of the country through the achievement of economic efficiency and effectiveness in the employment of available resources.

1.6 Delimitation (Scope) of the Study

This study will focus on Federal public body especially on the challenge and perspective of performance audit practice however the study does not cover the Financial Audit practice. Moreover, due to logistic and other resource constraint the study is delimited to only three Federal Public Organizations

1.7 Limitation of the Study

Having the above scope, the study was subjected to the following limitations.

- Insufficient of data from the Federal Public bodies and also the officials are busy with work and other office commitments like meetings and trainings.
- Unavailability of concrete research on the subject especially the case of Ethiopian made it difficult to better collect information.

1.8 Organization the Paper

This paper is organized in to five chapters. The First chapter provides a brief introduction about the study. The second chapter covers the related literature reviews concerning the performance audit practice. Chapter three describes research methodology of the study. The fourth chapter deals with data analysis and interpretation based on the findings. The last and the fifth chapter present summary of findings and recommendations of the research.

CHAPTER TWO

REVIEW OF THE RELATED LITERATURE

2.1 Theoretical and conceptual

2.1.1 Definition of Performance Audit

Performance auditing is an audit of economy, efficiency and effectiveness with which a government organization, a program, a project, an activity or a function uses its resources in carrying out its responsibilities. It embraces:

- (a) Audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies;
- (b) Audit of the efficiency of utilization of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies; and
- (c) Audit of the effectiveness of performance in relation to the achievement of the objectives of the audited entity, and audit of the actual impact of activities compared with the intended impact.
- (d) Audit of the environmental effects of government activities

The audit of the environmental effects of government activities entails the examination of government activities in relation to the environment in order to provide information on improvements of environment protection processes and to encourage best practices in environmental management.

Performance audit is intended to be a broad, constructive examination and diagnosis of policies, organization and operations of a government entity. It calls for appraisals of an organization to compare accomplishments with plan, results with standards, and practice with policy. The objective is to arrive at a dispassionate and verifiable basis for comparing what is being done (and how well it is being done) with the plans, policies and standards and, most importantly to understand the reasons for positive or negative variance from those plans, policies and standards (MOFED, 2013).

Performance audit is an independent assessment of the extent to which an organization, ministry, commission, a program, an activity etc. Operates economically, efficiently, effectively and with due regard for environment. It, in a broad sense, is largely concerned

with management control audit in securing and accomplishing its mission in an economical, efficient and effective manner. The auditor's role is to examine and report on how well that responsibility has been discharged and suggest cost-effective improvement as necessary. To do this, understanding of the nature of the organization and its programs is required.

2.1.2. Differences between performance and financial audit

In most significant respects, performance auditing is quite different from financial auditing. Financial auditing is concerned with the examination of the financial statements prepared by public sector agencies. It is designed to provide independent and objective opinions whether the financial information prepared by management has been relevant, and accurate, fairly presented and also to assure that money has been spent appropriately. As part of the process, the auditor may examine the transactions in relation to expenditures receipts, and also the accounts in whether they are compliant with accounting standards, statutory provisions and other regulations.

Performance auditing differs from financial auditing in that the former focus on the implementation of the programs, activities or projects of government agencies. It examines whether programs implemented have achieved their goals economically, efficiently and effectively. This audit in other words, addresses matters that extend beyond the traditional concerns of financial auditing by examining whether the agencies have 'done the right thing', followed procedures and used minimum costs.

Another feature that distinguishes performance auditing from financial auditing is its level of standardization. Financial auditing use guidelines with good standardized procedures and established criterion in conducting the audit such as generally accepted auditing standards and the International Financial Reporting Standards. Contrary to financial auditing, performance auditing is more difficult to standardize because it involves subjective assessment and lack of auditing standards. There is no predictable form of reporting, and there are no 'generally accepted' standards for decision making or systems to guide the auditors (Glynn, 1985). As a result, the auditors use different methods and procedures that are suited to a particular program examined. Performance auditing is much more difficult to standardize as each performance tends to be a project on its own which has to be designed individually (Pollitt et al., 1999).

The difference also can be distinguished in terms of audit reporting. In financial auditing, the auditor is expected to issue a standard opinion on the financial statement prepared by the public sector agencies. In this case, the auditor may issue an unqualified opinion or adverse opinion on those financial statements depending on whether or not he or she is satisfied that the accounts fairly present the financial position. On the other hand, performance audit reports are more concerned about future performance and long term benefits of particular program. The basic purpose of the reports is not simply to criticize past mistakes but to encourage better value for money and to help identify worthwhile improvements in systems and controls.

As a result, performance audit reports usually vary in scope, length and focus compared to financial audit reports. The performance auditor should be clear that the objectives, scope, nature of evidence and reporting in performance audit are different from those in the regularity audit. Some of the major distinguishing features of regularity audits and performance audits are as under:

(Table 2.1.2: Difference between Financial and Performance Audit)

FEATURES	FINANCIAL AUDITS	PERFORMANCE AUDITS
Scope	Generally, covers financial period (annual, biennium, etc. Coverage is for the whole of entity for the period; and Time bound audit to be completed by a stipulated time.	Covers the subject/ program over a period of time; Focused only on a part of the entity's activities/program, and Coverage is selective. Audit of economy, efficiency and effectiveness.
Objective	• Attestation (opinion on) of financial accountability • Audit of financial system • Existence of control for safeguarding of assets. • Evaluation of financial records. • Audit of propriety of administrative	• Audit of economy, efficiency and Effectiveness. • Audit of internal controls that Ensures economy, efficiency and effectiveness, ensuring adherence to management policies, timely and reliable financial and management

FEATURES	FINANCIAL AUDITS	PERFORMANCE AUDITS
	decisions. • Audit of internal control for safeguarding assets and completeness and accuracy of accounts. • Limited to financial matters. • Test for assuring compliance to laws, regulations and rules, and • Conclusion/opinions generally with reference to standardized requirements.	information • Extends to nonfinancial governance Subjects also; • Assessment of compliance to applicable laws and regulations required in the context of audit objectives; and • Conclusion related to audit objectives set by auditors.
Evidence	• Financial statements describe, accounting documents, etc. • Budgetary assumptions and appropriation authorization; etc. • Transaction documents • Conclusive nature of evidence. • Materiality by amount.	• Variety of forms of evidence; • Quite often qualitative in nature; • Persuasive rather than conclusive. • Evidence related to predetermined audit objectives. • Materiality guided more by the nature or by context rather than amount alone.
Academic Base	• Generally accounting knowledge	• Always knowledge based of laws, social • sciences, economics, development studies, public affairs, science and technology etc.
Approach And methodology	• More or less standardized; manual generally forms the entire basis.	• Varies widely from subject to subject; • Manual generally serves as basic framework.
Assessment criteria	• Standardized (suitable to all audits) with little scope for subjectivity	• Widely varying and subjective with ample scope for interpretations and assessment criteria support the audit

FEATURES	FINANCIAL AUDITS	PERFORMANCE AUDITS
		objectives, which are unique to the subject of performance audit?
Report	• Opinion on the financial statements • Opinion on compliance to laws, regulations and rules. • Generally, opinion on financial statements in standardized format. • Specific requirement and expectations; and • Related to specific financial periods there is a periodicity of reporting.	• Report/conclusions on economy and efficiency with which the resources are acquired and used and the effectiveness with which the objectives are met; • Report containing assessment of economy, efficiency and effectiveness may be presented in variety of forms • Wide ranging in nature, open to interpretations and subjective judgment, and • Generally separate publication on each subject of performance audits as and when conducted.
Overlap	• Financial audits do not generally include the elements of performance audits.	• There can be overlap in the sense that the performance audit may encompass techniques /methodology applied to financial audit,

Further clarification the main three components (Economy, Efficiency and Effectiveness) of performance audit are:

(a) Economy

The concept of economy is associated with the inputs used in the projects or activities. It is about obtaining the resources at a minimum cost but at the same time maintaining the quality of items.

Economy is taken to mean the achievement of a given result with the least expenditure of money, manpower or other resources used the term ‘spending less’ to refer to this process. In the context of Bangladesh, the economy is concerned with ‘minimizing the cost of resources used for such activities without affecting the quality (White and Hollingsworth, 1999).

For example, the economy can be assessed by comparing the cost of a vehicle purchased with another model of similar quality. According to Glynn (1985), a lack of economy could occur when there is overstaffing or overpriced items are involved. Although the concept of economy is well defined, the audit of economy is not a straightforward process. It is often a challenging task for an auditor to assess whether the inputs chosen represent the most economical use of public funds, whether the resources available have been used economically, and if the quality and the quantity of the ‘inputs’ are optimal and suitably co-ordinate (INTOSAI,2004).

(b) Efficiency

The concept of efficiency is related to the relationship between the inputs and outputs. Efficiency is about ensuring that a maximum output is obtained from the resources devoted or conversely that a minimum level of resources are devoted to a given level of output (Glynn, 1985). An example for the former is the increasing number of patients served in a hospital with existing resources while the reduction in the cost of repairs and maintenance of vehicles is an example of measuring the efficiency for the latter. Inefficiency would occur when there is an oversupply or excess of resources. White and Hollingsworth (1999) used the term ‘spending well’ to refer to this process.

(c) Effectiveness

The concept of effectiveness is the last element in performance auditing. Effectiveness is concerned with the outputs. It is about ‘ensuring that the output from any given activity is achieving the desired results’ (Glynn, 1985), regardless of the cost involved. In the context of

Bangladesh, effectiveness is concerned with ‘achieving predetermined objectives with the actual impact compared with the intended impact’.

Assessing whether there is improvement in school examination results after the introduction of a tuition program is an example of an audit on effectiveness. The programmed is effective if the examination results are improved. In other words, effectiveness looks at whether the programmed or activities succeed or not in achieving the objective. Arguably, the programmed is ineffective when ‘the outputs are not really the one desired or they do not have appropriate impacts on the community’.

McCrae and Vada (1997) classified the effectiveness audit into three categories called ‘Effectiveness I’, ‘Effectiveness II’ and ‘Effectiveness III’. According to researchers, Effectiveness I is concerned with the examination of results of the programmed. In this category, auditors evaluate the degree of success or failure of the programmed compared to the intended policy objectives. Effectiveness II does not only cover Effectiveness I but also includes the examination of alternative strategies in achieving the policy objectives. In an Effectiveness III examination, auditors extend the mandate in the previous two categories to include the examination of the merits of policy. The focus changes from administrative effectiveness towards wider issues of evaluating the content, objectives and process of the policy itself.

2.1. 3 Benefits of performance Audit

According to MOFED (2013) if an effective audit program exists and has the support of an organization’s management, it will have a very beneficial effect on how the available human resources, materials, equipment and other inputs are assigned and used. The six major benefits are:

- Clarity of the aims and objectives of programs and projects;
- Quality of planning at all levels;
- Clarity of agency responsibility and authority to execute approved plans;
- Quality and effectiveness of program execution in relation to approved plans;
- Quality of internal administration and progress reporting; and
- Quality of results in relation to previously established cost and other objectives at all levels.

2.1.4 Categories of Performance Audit

Performance audits fall into four broad categories:

- A. **Selective investigations:** These are carried out in cases where there are signs of possible serious waste, extravagance, inefficiency, ineffectiveness or weakness in control. The investigations are confined to examining whether criticism is justified, examining causes and considering action taken or needed to introduce improvements.
- B. **Major broad-based investigations:** These kinds of investigations focus on the whole audited body or of important activities or programs. These may serve to give assurance in major areas where arrangements are found to be satisfactory and no criticism is justified, as well as to draw attention to material weaknesses in control or achievement and their consequences.
- C. **Major examinations of standard managerial operations:** These tend to follow common patterns or procedures or established good practice. Here, the audit office selects an audit area, such as cash management, construction, procurement, etc., and audits the issue across all of government, or across all major departments involved in the activity. These are sometimes called ‘sectorial’ audits.
- D. **Smaller scale, ad-hoc investigations:** These types of investigations are directed towards producing useful improvements in value for money in specific projects or activities. These may help strengthening systems and fostering cost-consciousness.

2.1.5 Types of performance audits

There are different types of performance audit approaches in order to make the audit products more relevant to the public body. Reporting on the activity or project as a whole is normally more useful than commenting on a segment carried out by a specific entity.

The types of performance audits are:

- A. **Entity or program audits**, which provide a substantive review of the whole or part of the operations of a department or agency;
- B. **Government-wide audits**, which focus on government-wide issues or functional areas, such as human resource management, in a number of departments selected by the Office;

- C. **Sectorial audits**, which focus on program areas delivered by a number of entities, for example, search and rescue operations;
- D. **Audit notes**, also called other audit observations, are an alternative mechanism for reporting matters of significance that come to our attention during the course of our work on any Office products. Audit notes usually report on a single subject which must be within the mandate of the Office; and
- E. **Follow-up audits**, which report on public bodies actions in response to previous recommendations and issues of the Office and that are of continued interest to management, and/or that pose a significant risk.

2.1.6 The Characteristics of the Performance Audit

A performance audit is a blend of both a conventional audit and management consulting incorporating the knowledge and techniques of many disciplines. It benefits from the independence, objectivity, and reporting skills of the auditors, complemented by the specialized analytical systems and implementation skills, that may be available from management consultants (Glynn,1985).

The performance audit, as a concept, may be taken for granted but, in practice, it has been, and continues to be, more problematic. According to some authors, a performance audit is considered as a non-problematic activity improving public accountability and opening up new challenges (Barzelay, 1996 & Pollitt et. al. 1999). The performance audit is also described as problematic, subjective, complex, cost-effective but also as a messy process, with a strong emphasis in the experiential (Lapsley and Pong 2000 & Guthrie and Parker 1999).

There is no single timeless methodology or set of practices that can be used to adequately conduct a performance audit. In order to be successful an auditor must select those methodologies and techniques, that are appropriate considering the resources available, the nature of the activity chosen and the object of the audit (Pollitt et.al. 1999).

In a study, carried out by Lapsley and Pong (2000), the members of expert groups were asked about the difficulties of undertaking a performance audit. They cited problems around the practical execution of performance audits, the quality of evidence available for them, assessment issues (outcome conflict) and, in particular, the problematic nature of quality. auditors to introduce new tools and approaches. Pollitt identified that most of the time in most

countries performance auditors fall back upon a few tried and trusted techniques (especially the study of the documents of the audited bodies and the questioning of their staff).

2.1.7 Challenges of Performance Audit Practice in Ethiopia

Performance audit not only examines whether rules and regulations are followed while expenditures are being incurred but whether the goals of an institution are fulfilled and how economically, effectively and efficiently money is being spent. In the course of doing this important job, various challenges have been identified. Accordingly, the following issues are the most important challenges of performance audit.

2.1.7.1 Challenges on selection of Audit topic: Practice vs standard

According to ISSAIs 3000 performance audit standard the auditor shall select audit topics through the strategic planning process by analyzing potential topics and conducting research to identify audit risks and problems. The auditor shall select audit topics that are significant and auditable, and consistent. The auditor shall conduct the process of selecting audit topics with the aim of maximizing the expected impact of the audit while taking account of audit capacities.

2.1.7.2 Lack of competent and experienced auditors

Selection of audit area and audit subject matter is very challenging; it needs deep assessment in economy, efficiency and effectiveness relationship. Doing so requires competence and experience. Auditing performance requires not only understanding the activity but also indicators or criteria that can be used to measure the successfulness of the various activities in various organizations or bodies of the government. Besides undertaking performance audit requires to understand and analyze the various evidences and information collected from auditees. Doing so requires expertise in various fields. Auditors lack the capacity, absence of adequate & continue training and remote possibility to be assisted by skilled technical experts' fueled the competency problem. This gap in turn usually creates disagreement with the audit client and frustration on the side of the auditors. This problem of skill, competence, etc.... of auditors' takeaway their confidence and leave them with no option but reporting what the

experts of the auditee claims. This challenge, unless and otherwise curved will make performance audit ineffective from achieving what it is supposed to promote.

2.1.7.3 Difficulty in collecting the necessary information

Auditors should gather competent, relevant and reasonable audit evidence to support findings and conclusions regarding the organization, program, activity or function under audit. But, at times auditees may not cooperate with the auditors to the extent they should or may even threaten them or intentionally hide information. Besides, inadequate documentation hinders auditors from accessing relevant appropriate audit evidence. Due to such problems, the audit task may run out of time schedule and auditors may limit their audit for the simple cause that they will be evaluated for failure to complete an audit as planned.

2.1.7.4. Lack of motivation

Auditors should give reasonable care in performing their work. Unattractive benefits (salary, trainings, educational opportunities, bonuses etc.) limit the auditor's level of satisfaction and make him/her to be careless in discharging his/her duties. Thus the level of dissatisfaction of auditors (apart from the problem of competence) is affecting the quality and completeness of performance audit results.

2.1.7.5 Lack of experience sharing activities with other organizations

International, national, regional or local level exchange of ideas, knowledge harmonizing standards, sharing best practices and experience is an effective means of raising the quality of audit which in turn help audit organizations fulfill their mandate.

2.1.7.6 Not enough media exposure for audit results

The media can play a significant role in enhancing the role and public stature of an audit organization. Audit institutions can establish a good working relationship with the media to convey essential audit findings and recommendations. However due to absence of free media, except those few if at all they are free per se, actions and accountabilities will be delayed if at all they are not ignored all together.

2.1.7.7 Lack of adequate follow up audit

Lack of adequate and consistent post audit follow up, extends noticeable influence on the perception of performance audit effectiveness. Hence, even the audit institution, at times knows nothing if its recommendations and findings are rectified or not.

2.1.7.8. Lack of independence:

Auditors should maintain an independent stance and remain impartial not only in facts but also in appearance to provide independent information. Challenges of independence may come from the auditee or the users of the information. Auditing of governmental entities mostly focus on determining whether the auditee's have discharged their stewarding responsibility and became accountable. So, if the auditor is not independent from auditee, he/she can face difficulty for him/her to report on auditee's fault. Independence of an auditor can be hindered due to political, economic or social pressures.

2.1.7.9. Lack of Training Programs

Training is critical to an audit office's success. No college or university program in Ethiopia specifically trains students to be performance auditors. As a consequence, audit organizations either hire auditors from other audit offices or develop their own. The "development" of professionals into performance auditors is achieved through a combination of formal and on-the-job training, coupled with experience doing performance audits. The success of this development process is heavily dependent on good training. The importance of training is recognized by the profession. Government performance auditors are required by auditing standards to obtain continuing professional education.

2.1.7.10. Management support

Dessalegn and Aderajew (2007), their Ethiopian higher education case study result shows that management support to performance Audit is considered as one of the determinants factor. They also indicate that audit findings and recommendations would not serve much purpose unless management is committed to implement. The institute in relation to support stated that the legitimacy of the audit function and its mission should be understood and supported by a broad range of elected and appointed government officials, as well as the media and involved citizens (IIA, 2006).

In line with this thought, Van Gansberghe (2005) noted that the Auditors function should work closely together with Top managers to improve the organization's evaluation of risks and determine its risk appetite to improve its systems, regulations, procedures and the ethical environment.

2.1.7. 11 Reporting Common Practice

The tradition in performance auditing is to issue written audit reports. Performance audit report formats are as varied as the topics themselves. Some audit offices prefer a short, terse style that resembles the narrative sections of financial audit reports. Others take a broader approach, incorporating graphics, photographs and special fonts intended to make the reports more readable. Each report is unique.

2.1.8 Performance audit practices in Ethiopia

In Ethiopia, the history of auditing goes back to 1930's and the first audit institute of the country is the current Office of the Federal Auditor General (OFAG). The issue of performance audit was regulated under proclamation No. 164/1979, but it was not properly practiced until the beginning of 1990s. In 1991 the practice of performance audit was started in new spirit as a result of UN expert financial auditing project recommendation. Then, manual of performance audit was prepared in 1992 and short term trainings provided. Later on, in the middle of 1990s performance audit reports was issued and be presented for parliament as part of the financial audit (Tadele Dereje, 2012).

In 2008 environmental audit was incorporated and the manual was revised again. Performance audit 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. However, empirical studies are lacking to identify factors affecting the effectiveness of performance audit in public body. The Performance audit across different periods follows a mix of the theories, concepts, standards and overall working methods set for such audit, based on the ISSAIs, Generally Accepted Government Auditing Standards (GAGAS), Generally Accepted Auditing Standards (GAAS) and currently the experience of performance auditing in the African Organization of English-Speaking Supreme Audit Institutions (AFROSAI-E) region Auditing standards. ISSAIs aim to promote independent and effective auditing and

support the members of INTOSAI in the development of their own professional approach in accordance with their mandates and with national laws and regulations. Thus in our country, OFAG is using its own manual, prepared in line with the requirements set out by performance audit standards (ISSAIs) to standardize performance auditing practices (Tadele Dereje, 2012).

Looking at the practice, Performance audits in the case of public organization, examine the government's activities or programs against established criteria (laws, standards, criteria set in a program, etc.) to answer the following questions:

- Are activities or programs being run with due regard for economy, efficiency, and environmental impact?
- Does the government have the means in place to measure the effectiveness of its activities or programs?

In other words, a performance audit is an independent, objective, and systematic assessment of how well the government is managing its activities, responsibilities, and resources. Hence, performance audits are planned, performed, and reported in accordance with international auditing standards for performance audit, ISSAIs being the body for this standard. MOFEC has performance audit manual which calls most of this standards and additional requirements reflecting its policies given the structure of the Government and its policies. In General, the practice of performance audit requires the auditor to perform the following:

- establish audit objectives and criteria for the assessment of performance,
- gather the evidence necessary to assess performance against the criteria,
- report negative findings, that should be corrected,
- conclude against the established criteria and the audit objectives, and
- Make recommendations for improvement when there are significant differences between criteria and assessed performance.

The practice of Performance audits in Ethiopia does not question the merits of government policies. Rather, auditors examine the government's management practices, controls, and reporting systems based on its own policies and best practices.

2.1.9. Benefits of Performance Audit

If an effective audit program exists and has the support of an organization's management, it will have a very beneficial effect on how the available human resources, materials, equipment and other inputs are assigned and used. The six major benefits are:

- Clarity of the aims and objectives of programs and projects;
- Quality of planning at all levels;
- Clarity of agency responsibility and authority to execute approved plans;
- Quality and effectiveness of program execution in relation to approved plans;
- Quality of internal administration and progress reporting; and
- Quality of results in relation to previously established cost and other objectives at all levels.

2.2 Empirical Literature

In this part attempt is made to explore other research conduct on audit. Accordingly, Tedele Dereje (2012) undertake research on the role of performance Audit in fighting corruption using evidence from FDRE and Oromia National Regional State. The objectives of the study were:

- Assessing the factors affecting development of performance audit in each Government
- Assessing the joint activities performed by Office of the Auditor General and Ethics and Anti-Corruption Commission in combating the roots of public corruption.
- Identifying the problems observed in conducting performance audit in each Office of the Auditor General of Federal Government and Oromia state.
- Identifying the pitfalls observed in using performance audit finding for struggle against public sector corruption.
- Recognizing whether performance audit is conducted by competent and skilled auditors or not.

Tadele Dereje (2012) find out that thought audit commenced in 1992 and in 2004 at federal government and Oromia respectively. It is not yet matured due to various factors and problems such as lack of sufficient professional auditors and cooperation of auditees, less legislature attention, inadequate transportation and documentation system, lack of awareness by auditee, lack of support materials and resources such as book, and infrastructure facilities faced them.

The research also claims that all people in the survey believe performance audit can be used as tool against Corruption and it indicates clues if corruption exist on the performance of

government departments, agencies, projects, programs, commissionaires, ministries, bureau, authorities and offices. Moreover, due to absence of strong relationship between Office of the Auditor General and Ethics and Anti-Corruption Commission in both states the finding of performance audit those indicate lacks of economy, of inefficiency and of ineffectiveness and provide corruption suspicion are not used.

Moreover, the research finding explained that performance audit finding is not used by each state Ethics and Anti-Corruption Commission and rather Commissions focus on financial and special audit. In order to combat corruption financial audit played highest role in Oromia. However, special audit on areas of procurement, performance, inventory control, revenue collection and expenditures used as a tool against corruption at federal government level.

Agumas Alamirew (2015) undertakes research on Internal audit function and its challenges in public sector governance in case of Amhara regional state. Based on structured questionnaire survey of all internal audit directors and staff from 35 public sector bureau of Amhara National Regional State, a total of 61 internal auditors was used.

This study attempts to empirically testing the extent of association of role of internal audit function in public sector (that is risk management, control and governance processes) with its factors (that is organizational independence, formal mandate, unrestricted access, sufficient funding, competent leadership, competent staff, management support and compliance with professional audit standards).

The finding reveals that competent staff, compliance with professional audit standards and sufficient funding is positively related with the control function of internal audit. The regression results also suggest that governance process role of internal audit function is positively related to competent staff and compliance with professional audit standards and negatively related to top management support, formal mandate and unrestricted access

Nusrat Ferdousi(2012) Challenges of performance Audit in the implementation Thus, the study aims to identify the existence of the challenges of performance audit in the public sector of Bangladesh. In achieving this objective, it explores the perceptions of auditors and auditees.

The conceptual framework in this study was developed based on Supply and Demand theory. Two independent variables are selected from demand side initiatives; those are auditee organizations and two from supply side initiatives that is Supreme Audit Institution. From

supply side initiatives the independent variables selected are capacity building and recruitment of consultants and independent variables from demand side are awareness and pre-set goals.

The findings of this study indicated that the challenges in the implementation phase of Performance audit exists in the Bangladeshi public sector. The analysis of interviews and audit reports clearly suggest that the challenges exist over a number of auditing issues. These comprise insufficient and incompetent manpower, unable to recruit consultant when needed, lack of awareness and absence of pre-set goals among the auditees.

Pollitt (2006) made a study on use of performance information by ministers, parliamentarian and end users. He concluded that, in spite of the big statement that are generally made about the importance of performance information for democracy, there is few evidence that these end users do indeed use this type of information. On the contrary, the patch evidence that is available seems to indicate that they only rarely make use of the volumes of performance information now thrust upon them. Besides this, Pollitt (2006) referred to the possibly that the existence of performance information also has a preventive effect. Thereby he argued that the regular production of reports is more important than their regular consumption, for the need to ‘keep public servants honest’ does not require everything to be read and digested in order to achieve its effect.

Johnsen et al. (2001) for their part examined whether and in what way performance audit contributed to performance improvement in Finnish and Norwegian local governments. Based exhaustive interview they, the authors concluded that the practice of performance audit served two functions on the one hand, the process of performance audit appeared to be effective in identifying those organizational areas that were in need of review. On the other hand, in general local civil servants and politicians did seems to act upon the auditors reports and recommendations. Furthermore, the authors stated that the information included in the reports was especially used to develop management systems and improve the quality of the municipal budget.

The majority of research focused on financial and compliance audit as to the best of the researcher knowledge there is lack of research in addressing the reasons why the majority of the public internal auditors did not undertake performance audit and about the perspective of performance audit in Ethiopia.

CHAPTER THREE

THE RESEARCH DESIGN AND METHODOLOGY

This chapter includes the research design and methodology applied in the study. The methodology outlines the various approaches that were followed to obtain data for the study and how the data was analyzed. It comprises the research design and methodology, the targeted population, the methods of data collection and analysis and reliability and validity of variables for internal consistencies.

3.1 Research Methods

The study is designed to identify the problems that have been observed as bottle neck in practice of the performance audit and recommend possible solution to the concerned body. The study methodology employed in the research is mixed method (Quantitative and Qualitative data). Therefore, for this study descriptive survey method of study will be employed as it is found to be appropriate. Of course the relevance of this approach for such purpose has been noted by Seyoum and Ayalew(1989:17) as well as Anderson(1990:37).

3.2 Source of Data

The data for this study will be obtained from three federal public organization employee and management. The organization are Federal ethics and anti-corruption commission, Federal Police Commission and Ministry of Finance and Economic Cooperation (MoFEC).

3.3 Sample population

The sample populations for the study are the internal audit directorate directors, senior internal auditors, junior internal auditors and managers of the selected three organizations.

Table 3.3 sample population

Organization Name	Internal audit directorates staff	Managers	Total
Federal ethics and anti-corruption commission	2	2	4
Federal police commission	16	2	18
Ministry of Finance and Economic Cooperation	33	2	35
Sub total			57

Since the total no. of this sample population is only 57. The entire sample population will be considered for the study. Thus, we will not use any sampling technique.

3.4 Instrument of data collection

Methods of data collection that was used involved both primary and secondary data. Primary data was collected via questionnaires (five point likert-scales). Questionnaires were drafted based on the research questions, objectives of the study, the reviewed literature and the intended data to collect. In order to test the validity and reliability of the questionnaire pilot testing was carried out on another government public organization i.e. national educational assessment and examination agency. Which is not in the sample of the study? A total 10 questionnaires were distributed to internal audit directorate employee. Similarly, the questionnaires were given to the advisor and experts in the area to judge the content validity. Then based on the comments and suggestions of the piloted respondents, experts and advisors' appropriate adjustments and correction was made.

Finally, the questionnaires will be distributed to Federal ethics and anti-corruption commission, Federal police commission and Ministry of Finance and Economic Cooperation or MoFEC internal auditors and inspection Directorate using data collectors with the necessary explanation on how to fill them. Continuous follow up will be made in collecting them. Interviews will also be made with management of the selected organizations.

Secondary data was also gathered from performance audit manual, module, financial proclamations, directive, and annual report of inspection directorate and review performance audit report that submitted to inspection directorate from federal public organization and other related document.

3.5 Method of data analysis and presentation

After collection of all the necessary data through data collection tools which is the primary data gathered using five point likert-scale questionnaires and the secondary data are collect from document review, the primary data gathered using five point likert-scale questionnaires analyzed using quantitative techniques such as descriptive statistics (mean, and standard deviation) . The STATA 14.2 version software was used to analyze the quantitative data by the following model and the secondary data also used for more elaboration and interpretation with the primary data.

The qualitative data obtained from the open-ended question, documents and semi-structured interview transcribed, edited, and analyzed around the subtopics derived from the research questions.

3.6 Reliability and Validity

To test the reliability and validity of the questioner

One of the common methods to test the reliability and validity of data collected through questionnaire is use of Cronbach's alpha coefficient. Reliability as an attribute of an instrument used to measure consistency. Consistency indicates that an instrument has constructive value it used to measure. A commonly accepted rule of thumb for describing internal consistency using Cronbach's alpha presents is as follows.

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.8 \leq \alpha < 0.9$	Good
$0.7 \leq \alpha < 0.8$	Acceptable
$0.6 \leq \alpha < 0.7$	Questionable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

The Cronbach's alpha for data collected for the autonomy and interference from stakeholders, Budget and resource and Professional Audit standards reporting is 70 percent.

CHAPTER FOUR

DATA ANALYSIS, DISCUSSION AND PRESENTATION

4.1. Introduction

In order to analyze the mass of data that will be collected through questionnaire, descriptive statistics will be employed. After making the necessary coding, the data in the computer will be analyzed using STATA 14.2 version which is specialized statistics program that can provide sufficient tools for analyzing the collected data. In descriptive statistics, frequency counts and percentage mean and standard deviation will be used to analyze various characteristics of the same population. This statistical tool helps to determine the relative standing characteristics such as sex, age, academic qualification and work experience. The tools will also be used to analyze variables related to the topic under study for each variable and the findings are presented in tabular summaries, and their implications discussed.

Out of 51 questionnaires distributed to internal audit directors, internal audit team leaders, senior internal and junior internal auditors at federal level; 51 (100%) questionnaires were returned with and without information. So the analysis was based on this 51 respondents' response.

4.2. Profile of Respondents

It is necessary to analyze the demographic profile of the respondents to validate reliability of data collected. Accordingly the respondent's variables presented in this research include gender, age, educational level and experience of the employees these are shown in the tables and discussed in the following sections.

Table 4.2.1 Gender of the respondent

Description	Frequency	Percent
Male	25	49
Female	26	51
Total	51	100

Source: survey result

As indicated in the above table the gender proportion of female respondents is 51 % while the male respondents were 49 %. This implies that the majority of the respondents were female.

Table 4.2.2 Age of the respondent

Description	Frequency	Percent
25-30	13	25
31-40	10	20
41-50	18	35
51-60	10	20
>61		
Total	51	100

Source: survey result

As indicated in the above table With respect to the age of the employees, 25% of the respondents were between 25 and 30 years of age, 20 % were aged 31 to 40 years, 35 % aged 41 to 50 and 20% aged 51- 60.

Table 4.2.3 Level of Education

Description	Frequency	Percent
Diploma	-	-
Bachelor	45	88
Masters	6	12
Doctorate	-	-
Total	51	100

Source: survey result

The level of education is contributes to strengthen the donor fund management effectiveness. As summarized in the above table educational level, 88% (n=45) of respondents held first degree graduates (Bachelor) and 12% (n=6) had second degree or masters. In general, 100 % of the respondents held first degree and above.

Table 4.2.4 Level of Experience

Description	Frequency	Percent
< 2 Years	7	14
3-5 years	9	18
6-10 years	20	39
>10 years	15	29
Total	51	100

Source: survey result

As indicated in the above table With respect to the level of experience , 14% of the respondents were below 2 years of experience, 18 % of the respondent were experienced 3 to 5 years and 39 % 6 to 10 years and 29% experienced greater than 10 years .This indicate that more than 86% of the respondents have long years of experience in performing audit in federal level organization.

4.3. Descriptive Statistics

This section presents the results of the descriptive statistical analyses of the data and their interpretations. The descriptive statistics used are the means and standard deviations. The main purpose of using this statistical parameter is to interpret the average response rate of respondents for each item. The respondents were to give their independent opinion on Prospect and Challenges of performance audit in case of federal public organizations.

According to Kajuju (2012), the scores of strongly agree /agree have been taken to present a variable which had a mean score of 3.5 to 5 on the continuous Likert scale; ($3.5 \leq S.E < 5$). The scores of 'neutral' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale; ($2.5 \leq M.E < 3.4$).The score of disagree/strongly disagree have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale; ($0 \leq L.E < 2.5$). A standard deviation of >0.8 implies a significant difference on the impact of the variable among respondents.

Despite the above range of scoring, the researcher used her judgment to classify the range of scores obtained on the continuous 5 point Likert scale as follows:-A variable with a mean scores of 3.4 to 5 have taken as strongly

agree/agree on the continuous Likert scale, a score of 3.0 to 3.4 as ‘neutral’ on the continuous Likert scale and a score of 0 to 3.0 as strongly disagree/disagree on the continuous Likert scale. “Any score can be assigned as long as the intensity of the response pattern is reflected in the score and the highest score is assigned to the response with the highest intensity.” (Renjit_Kumar: Research Methodology, pp. 161).

4.3.1 The practices of performing performance audit

From those three organizations the two organizations are perform performance audit and submitted to ministry of finance and economic corporation (inspection directorate) but one organization they didn’t perform performance audit.

Regarding Factors affecting the effectiveness of audit practices

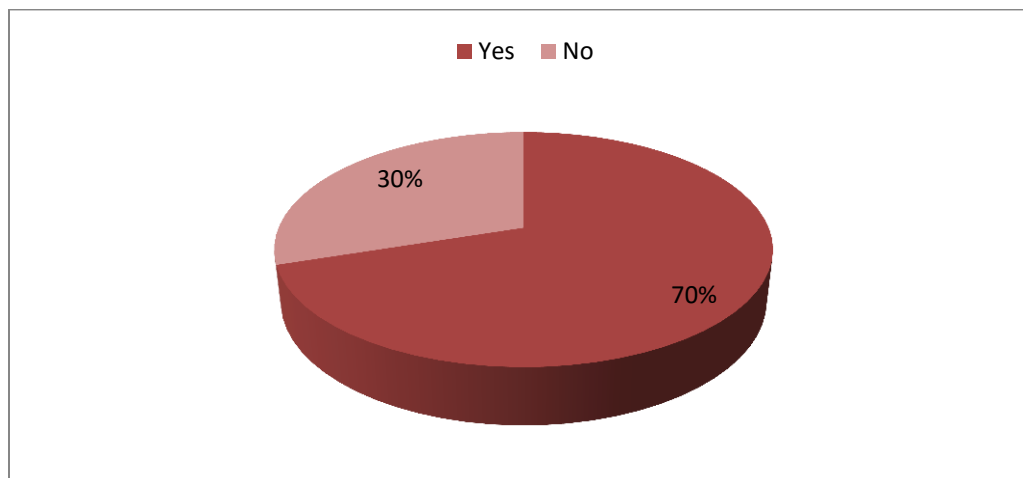
Table 4.3.2: Descriptive Statics for Auditors autonomy and interference from stakeholders

S.n	Statements	Obs	Meam	Std. dev	Min	Max
1	Auditor enjoy autonomy in managing their unit and work	51	3.8	0.66	2	5
2	Auditors face interference on their work from organizations top management	51	2.3	0.71	1	5
3	Auditors enjoy professional independency	51	2.1	0.75	2	5
4	Auditors they don’t have difficulty in accessing relevant information from stakeholders	51	3.7	0.73	2	5

As shown in table: 4.3.2. Above, under Auditors autonomy and interference from stakeholders, ‘Auditors enjoy professional independency and Auditors face interference on their work from organizations top management’ has a mean score of 3.1 and 3.4 respectively which is the least score. This indicates majority of respondents agreed with presence of problems stated by these independency and facing interference variables. In addition Auditor enjoy autonomy in

managing their work and Auditors they don't have difficulty in accessing relevant information from stakeholders score 3.8 to 3.9 this show that there is no problem related to autonomy in managing their work and accessing relevant information.

Chart 4.3.3 auditor access to the required information



70% of respondent we don't have a problem to get the required information and 30% of the respondent said that we didn't get the required information because of they fear accountability.

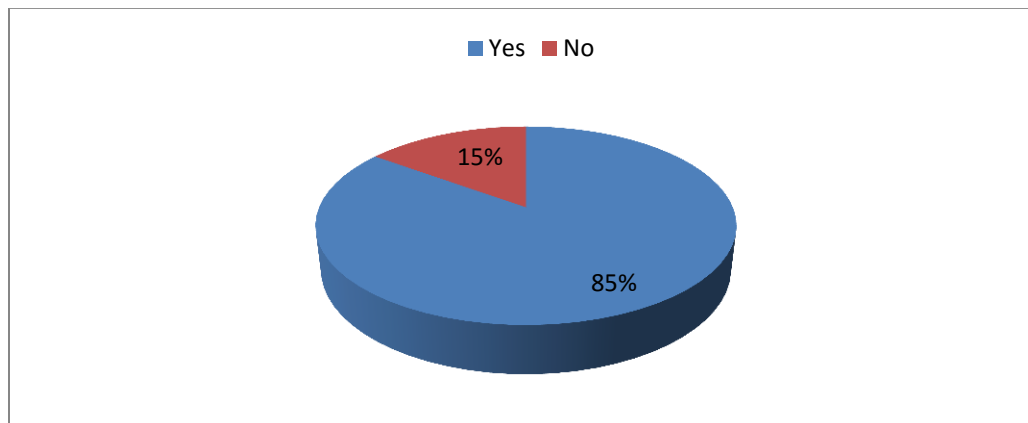
Table 4.3.4: Descriptive Statics for Budget and resource allocated to Audit Unit

S.n	Statements	Obs	Meam	Std. dev	Min	Max
1	The organization allocate sufficient budget for the audit unit	51	3.30	1.10	1	5
2	The Audit unit has sufficient manpower	51	3.00	1.10	1	5
3	The Auditors are provided with adequate compensation	51	2.60	1.06	1	5
4	The audit unit have the required resource(vehicle,office equipment and supplies)	51	2.60	1.32	1	5

As shown in table: 4.3.4. Above, **Budget and resource allocated to Audit Unit**, 'The organization allocate sufficient budget for the audit unit, The Audit unit has sufficient

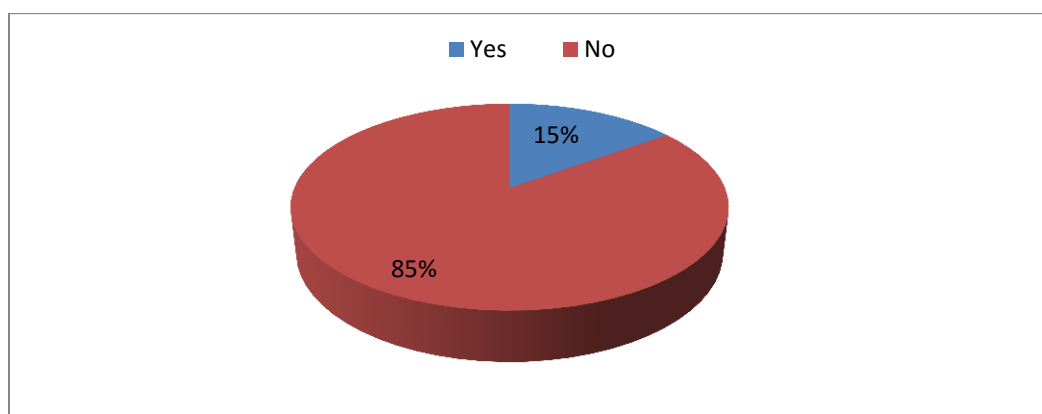
manpower, The Auditors are provided with adequate compensation, The audit unit have the required resource(vehicle, office equipment and supplies)' has a mean score of 2.6 to 3.3 which is the least score. This indicates auditors have lack of budget and resource allocation.

Chart 4.3.5 attending training course related to performance audit



85% of the respondent they said yes we train performance audit that facilitate by ministry of finance and economic corporation (inspection directorate). 15 % of respondent say that we didn't train any training on performance audit.

chart 4. 3.6 competent leadership to undertake performance audit



85 % of the respondent said that we don't have competent leadership to undertake performance audit in our organization because top managers have lack of attention, knowledge, positive outlook for performance audit and heavily relying on financial audit. 15 % of respondent say that yes we have competent leadership to undertake performance audit in our organization.

4.3.7 Experience sharing with other organizations in relation with performance audit

100% of the respondent they said that we don't have any experience sharing our experience with other organization.

Table 4.3.8: Descriptive Statics for Professional Audit standards

No.o bs	Statements	obs	mean	Std. dev	Min	Max
3.5.1	The internal audit prepare audit plan and communicate the auditee in advance	51	3.7	0.9	2	5
3.5.2	The internal audit unit use appropriately designed assessment forms	51	2.8	1.1	1	5
3.5.3	The internal auditor use appropriate sampling techniques while selecting items to be selected	51	2.7	1.1	1	5
3.5.4	The audit unit follow international accepted auditing principles	51	3.7	1	1	5

As shown in table: 4.3.2. Above, **under Professional Audit standards**, 'The internal audit unit use appropriately designed assessment forms and The internal auditor use appropriate sampling techniques while selecting items to be selected' has a mean score of 2.7 to 2.8 respectively which is the least score. This indicates majority of respondents agreed with presence of problems stated by these professional audit standard variables. In addition The internal audit prepare audit plan and communicate the auditee in advance, The audit unit follow international accepted auditing principles score 3.7 this show that the majority of the respondent agree that there is no problem related to preparing audit plan and communicating the auditee issues.

5. Challenges of performance audit

The respondent explain their challenges as a following; Performance audit is new task or profession for internal auditors so we have lack of knowledge, skill and experience how we

perform performance audit generally there is competency gap on this specific audit. In addition to these internal auditors are comes from accountant profession they don't have auditing profession.

Identifying the audit area, Identifying high risk area and developing evaluating criteria is another challenge because of this there is a gap to preparing performance audit report according to the standard to ministry of finance and economic corporation (inspection directorate).

Lack of documentation by the aduditee is problem to get document timely when they perform Performance audit.

Lack of independency, structure, motivation, experience sharing with other organization budget, resources and facilities and good governance also mentioned as challenge.

There is a problem related to Cleary identify line of accountability due to the level of legal mandate to perform PA for internal auditors they are not responsible engage only on financial audit.

Mangers have knowledge gap, lack of attention, interference on audit work and not taking corrective action is rises as challenge by mangers side.

6. Benefits of the performance audit practices

The respondent mention benefits of performance audits such as it is important for the public financial management in order to evaluate the organization performance and budget related 3E's. It creates transparency and accountability in organization. It uses to show how budget is utilization whether it's according to the plan or not. It creates value for money for the country and protects miss utilization of resource .It enables management to amend rules and regulations. Also it improves internal control system. .

7. Prospect of performance audit

From the interview conducted with the management of the three public organizations and from document review the researcher learned that, performance audit plays pivotal role in assessing the economic and efficient used of government budget. Performance audit bring in to light many issues that cannot be addressed by financial or compliance audit. While finical audit and compliance audit ascertain the practice of properly applying or complying with accounting principle and procedure, performance audit critically assess who efficiently and economically use the resource allocated to it.

As a result of many other performance audits finding the government is formulating legal framework to asserting the effective, efficient and economic use of country's scarce financial resource. To this end the new vehicle and fuel usage management directive for higher government official and cost minimization directive for federal public organization can be stated as example.

As the importance of performance audit is acknowledged more and more both global and Ethiopian case there is generally tendency of shifting from financial or compliance audit into performance audit. This can be attributed by two factors, on the one hand the technological advance and the development of internal control decrease the importance of financial audit and on the other hand the development of performance audit as indispensable tool for assessing issues that are out of reach by the financial audit hold prominence.

Thus, most managers strongly emphasize that the perspective of performance audit in Ethiopia is very good and soon will be the prime force of auditors both in public and private sectors.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter presents summary of major findings of the research, conclusion and suggested recommendations to solve the challenge of performance audit and to assess the perspective of performance audit in case of public organization.

5.1. Summary of Finding

- Respondents in two of the public organization stated that they conduct performance audit on annually while respondents from MoFEC explained that they didn't undertake performance audit.
- The mean value of 2.3 indicates that the majority of the respondents agree that auditors face interference from the organization top management while undertaking performance audit. Similarly the mean value of 2.1 indicates that the auditors did not enjoy professional independency.
- The high mean value of 3.8 shows that auditors did not have problems to get the information required for the performance audit.
- With mean value less than 3.00 the majority of the respondent states the existence of problems in relation with the availability of sufficient manpower, adequacy of compensation and other resource (vehicle, office equipment and supplies).
- All respondents (100%) state that there is lack of experience sharing with other public and private organization to learn best practices.
- The majority of the respondents (85%) point out that there is no competent leadership and top management in their respective organization lack attention, knowledge, positive outlook for performance audit.
- Though the majority of the respondent asserting that the performance auditor properly prepare audit plan and communicate to auditee there is problem is using appropriate sampling techniques while selecting items to be selected.

- Being a recent development many of the respondents pointed out that the most important challenges are lack of knowledge, skill and experience in conducting performance audit. And not taking.
- Among the other challenges lack of properly identifying high risk area and developing evaluation criteria; Lack of proper documentation from the auditee side and Lack of clearly identifying the accountable body are highlighted.
- The respondent stated that the development of performance audit is hampering by the auditor higher focused on financial and compliance audit.
- The respondents pointed out that performance audit help to create accountable and transparency in public organization; increasing the efficiency of using budget and creates value for money and protect the country form minimizing miss utilization of resource.
- The perspective of performance audit is very good in light of coverage and contribution in accessing issues beyond the reach of financial and compliance audit and for utilization of the country's scares resource.

5.2. Conclusion

Based on the findings of the study, the following conclusions were drawn in the study.

- Professional indecency is the main pillar for performance for undertaking objective and impartial performance the work of performance auditor. Activities but the study finding shows that the top management of the public organization interferes in
- Among the most common challenge of performance audit are in availability of sufficient manpower, inadequacy of compensation paid for auditor and non-availability of other resource (vehicle, office equipment and supplies).
- Lack of experience sharing among public organization to replicate best practices in the field, lack of training and development for auditor also deter the effectiveness and development of performance audit.
- Though competent leadership is very important for performance audit the study found out that there is lack of competent leadership in public organization. The leadership lack attention, knowledge, positive outlook for performance audit.
- The most important challenge of performance audit includes lack of knowledge, skill and experience in conducting performance audit.; lack of properly identifying high risk

area and developing evaluation criteria ; Lack of proper documentation from the auditee side and Lack of clearly identifying the accountable body are highlighted.

- Performance audit help to create accountable and transparency in public organization; increasing the efficiency of using budget and creates value for money and protect the country form minimizing miss utilization of resource.
- Performance audit has good prospect in Ethiopia in addressing issues which are beyond the reach of financial and compliance audit and for utilization of the country's scares resource.

5.3 Recommendation

On the basis of the findings obtained and the conclusion drawn, the following recommendations were suggested.

- Interference of top management in performance audit severely affect the effectiveness of performance audit in bring positive change in performance of any given public organization. Thus, the management interference should be avoided.
- Performance audit suffer from lack of skilled and sufficient manpower. Thus, the public organization and responsible body need to provide skilled and sufficient manpower for strengthen the performance practice.
- To delivery important performance audit result, the auditors need to be provided with opportunity to share of experience, to participate in training and development programs. Thus, the public organization and other responsible bodies need to facilitate this opportunities of auditors.
- Without competent and committed leadership it would be hard to successfully achieve any engagement, accordingly public organization need to have leader that put emphasis and provide support for auditor engaged in performance audit.
- Performance audit has good prospect in Ethiopia in addressing issues which are beyond the reach of financial and compliance audit and for utilization of the country's scares resource.
- The purpose of undertaking any performance audit to increasing the efficiency of using budget and protect the organization from minimizing the miss utilization of resource. Thus, the responsible body should take corrective action in light to the audit recommendation.

- Performances audit by itself its multi disciplinary field so it need to team up with other profession.
- Government expenditure is very high and it is increasing every year. Thus ensuring the effective and efficient utilization of this scare resource has per amount importance. Thus proper attention needs to be given by top level managers and government higher official for performance audit.
- For undertaking performance audit demand in-depth understanding about different audit approach, stand and methods thus performance auditors need to be equipped with this skills Thus, the responsible body need to design proper curriculum and provide education or training program for performance auditor.

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Questionnaire to be filled by internal auditors

General Guidelines

The purpose of this questionnaire is to collect information about the practices and challenges of performance audit in a selected Federal Public Sector. The information you provide will be valuable for the successes my study.

Where the question requires selection, or ranking please tick (✓) your pertinent answer inside the square. In parts where written responses are required, please provide your written response briefly in the blank space provided. If you have additional idea, please use the back side.

Thus, please be confident that the information gathered from you shall be used only for academic purpose and will strictly be kept confidential.

For more information, you may make contact with Rahel H/Mariam by the following Address:

Mobile +251-0939990898 Email: rahelsunpare@yahoo.cm

Thank you in advance for your time & cooperation!

Rahel H/Mariam

Part I Personal Details

1. Your sex: Male ☐ Female ☐
2. Age: Below 25 ☐ 25-30 ☐ 31-35 ☐ 36- 1-45 ☐ 46-50 ☐ Above 50 ☐
3. Academic qualification:
 - a. 12th complete and below ☐
 - b. Diploma ☐
 - c. First Degree ☐
 - d. MA/MSc ☐
 - e. PhD ☐
 - f. Other (Please specify) _____
4. Select the organizations you are currently working?
 - a Federal ethics and anti-corruption commission ☐
 - b. Federal police commission ☐

c. Ministry of Finance and Economic Cooperation or MoFEC inspection Directorate

☐

5. Years of experience you have in in your current Organizations.

a. Less than 1 Year ☐ b. 1 - 3 year's ☐ 4 - 6 years ☐

d. 7 - 9 years ☐ e.10 years or more ☐

Part II The practices of performing performance audit

2.1 Do you perform performance audit in your organizations?

a. Yes ☐ b. No ☐

2.2 If your answer to question no. 1 is “Yes” what is the frequency of undertaking performance audit.

a. monthly ☐ b. Quarterly ☐ c. Semi-Annually ☐ d. annually ☐
e. others(Specify)_____

2.3 If your answer to question no. 1 is “No” please state your reasons?

Part III Regarding Factors affecting the effectiveness of audit practices

3.1. Auditors autonomy and interference from stakeholders

S.n	Auditor autonomy, interference and access to information	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
3.1	Auditor enjoy autonomy in managing their unit and work					
3.2	Auditors face interference on their work from organizations top management					

3.3	Auditors enjoy professional independency					
3.4	Auditors have difficulty in accessing relevant information from stakeholders					

3.2. Does the audited cooperates provide the required information for auditors?

a. Yes ☐ b. No ☐

3.3 If your answer to question no. 1 is “No” what are the possible reasons?

- a. Lack of knowledge ☐ b. Fear of Accountability ☐
c. Auditor’s Lack of Confidence ☐
d. Other (please specify?)

3.4. Budget and resource allocated to Audit Unit

S.n	Budget and resource allocated	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
3.4.1	The organization allocate sufficient budget for the audit unit					
3.4.2	The Audit unit has sufficient manpower					
3.4.3	The Auditors are provided with adequate compensation					

3.4.4	The audit unit have the required resource(vehicle, office equipment and supplies)					
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3.3. The competency and experience of Audit staffs

3.3.1. How long have you been working in performance audit areas?

- a. Less than one year ☐ b. 1- 3 Years ☐ c. 4-7 years ☐
d. 8- 10 Years ☐ e. more than 10 Years ☐

3.3.2. Have you gone through any training course related with performance audit?

- a. Yes ☐ b. No ☐

3.3.3. If your answer to question no. 3.4.2 is “Yes” what is the name of the training?

- _____
- _____
- _____
- _____

3.3.4. Do you get any chance for experience sharing with other organizations in relation with performance audit?

- a. Yes ☐ b. No ☐

3.3.5. If your answer to question no. 3.4.4 is “Yes” with how many organizations do you share experience?

- _____
- _____

3.3.6. Do you believe that there are competent leadership in to undertake performance audit in your organization?

- a. Yes ☐ b. No ☐

3.3.7. If your answer to question no. 3.4.6 is “No” what are leadership competency lacking in your organization.

- _____
- _____
- _____
- _____

3.4. Professional Audit standards

S.n	Professional Audit standards	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
3.5.1	The internal audit prepare audit plan and communicate the auditee in advance					
3.5.2	The internal audit unit use appropriately designed assessment forms					
3.5.3	The internal auditor use appropriate sampling techniques while selecting items to be selected					
3.5.4	The audit unit follow international accepted auditing principles					

3.5. What kind of problems do you face while conducting performance audit?

3.6. The responsible bodies for implement corrective action

S.n	Professional Audit standards	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
3.7.1	The responsible bodies for ensuring corrective action is clearly identified					
3.7.2	The responsible body strictly follow up and ensure that the					

	corrective actions are implemented					
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3.7. What are the benefits of the performance audit practices for sound public financial management of the country?

3.8. What are the bottle necks of performance audit in your organization?

Part VI. Challenges or problems on performance Audit

4.1. What major challenges of performance audit in your organization?

4.2. What practical solutions have been devised for tackling the challenges encountered?

Part V. Additional Idea on the performance Audit Practices

5.1. Do you have any additional information on the topic?

Thank you very much for your time!

School of Business and Economics

Department of Accounting and Finance

Interview prepared for selected management members from the sample organization and performance audit professional in (MoFEC)

General Guidelines

These interview questions are prepared for selected management member of Federal ethics and anti-corruption commission, Federal polices a Ministry of Finance and Economic Cooperation to assess the practices and challenges of performance audit in Federal Public Sector. Dear respondents, the information you provide is valuable for the study. Please be confident that the information you provide here is used only for academic purpose and will strictly be kept confidential.

1. How does performance audit play pivotal role in assessing the achievement of your organization overall performance?
2. How does performance audit ensure the economical, efficient and effectiveness usage of government budget allocated to your organization?
3. What are the challenges of performance audit in case of your organizations?
4. What measures should be taken to overcome those challenges?
5. Does the responsible body for taking corrective actions based on the audit result perform their duty as per the plan?
6. What are the benefits of the performance audit practices for sound public financial management of the country?
7. What measures, you think, should be taken to improve performance audit effectiveness.

Thank you very much!