



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

The Role of Performance Audit on Performance Improvement and  
Accountability in the Audited Public Sectors of Oromia National  
Regional State

A Research Project Paper Submitted to Department of Accounting and Finance Addis Ababa  
University in Partial Fulfillment of the Requirements for Degree of Master of  
Science in Accounting & Auditing

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Date: January 2016

Addis Ababa, Ethiopia

## Statement of Declaration

I, Regassa Balli, have carried out independently the research project work on —The Role of Performance Audit on Performance Improvement and Accountability in the Audited Public Sectors of Oromia National Regional State —This is in partial fulfillment of the requirements for degree of Master of Science in Accounting and Auditing with the guidance and support of the research advisor.

This study is my own work that has not submitted for any degree or diploma program in this or other institutions and that all source of materials used for this project have duly acknowledged.

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### **Statement of Certification**

Here with, I state that Regassa Balli has carried out this research project work on the topic entitled ‘The Role of Performance Audit on Performance Improvement and Accountability in the Audited Public Sectors of Oromia National Regional State.’

This research work is original in nature and has not presented for a degree in any university, which all sources of materials used for the study have duly acknowledged and it is sufficient for submission for the partial fulfillment for the award of Master of Science in Accounting and Auditing.

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Approved by Board of Examiners

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## **Abstract**

*The main objective of this research project is to assess the role of performance audit on performance improvements and accountability in some of the selected audited public sectors in Oromia National Regional State. The factors used to assess performance improvement were perceptions of the audited public sectors on the performance audit, perceptions of the audited public sectors on the auditors' performance audit recommendations, and improvements that the audited public sectors made by implementing performance audit recommendations. The factors used to assess accountability were activities performed by the legislature or 'caffee' on performance audit findings, and media participation in performance audit report from viewpoint of these selected public sectors on which performance audit were conducted. The study has employed descriptive research method. Survey method has used to conduct this descriptive research. Closed ended questionnaires using Likert 5 scales distributed to these some selected public sectors on which performance audits had conducted from the year 2010 to 2013. The data collected have analyzed using Microsoft excel which is appropriate for this descriptive statistics. For statistical interpretation, mean and standard deviation have used. Based on the data analysis made and results obtained majority of the selected audited public sectors for this research on which performance audit conducted have positive or good perceptions on the performance audit. They also have positive or good perceptions on the auditors' performance audit recommendations given by the performance auditors but improvements that they made in implementing performance audit recommendations were small or slight. The findings also show that activities performed by the legislature or 'caffee' from viewpoint of the audited public sectors were small or slight and the media participation in performance audit report from viewpoint of the selected audited public sectors were average or moderate.*

*The study has concluded that performance audit has not resulted in significant role on performance improvements and on accountability in these selected public sectors on which performance audit has conducted. Audited public sectors should make performance audit recommendations implement and be result in performance improvements in these selected audited public sectors. Activities of the legislature and the media on audit report findings should also be more perform to increase role of performance audit on accountability.*

**Keywords:** *performance audit, public sector, performance improvement, accountability, legislature, media*

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## **List of Abbreviations and Definition of Terms**

Auditee: Audited public sector

AS: Auditing Standards

–Caffee”: Peoples’ representatives of the region or parliament of the Oromia region

FAAA: Financial Administration Audit Act

GAO: General Accounting Office

IIA: Institute of Internal Auditor

INTOSAI: International Organization of Supreme Audit Institutions

ISSAI: International Standards of Supreme Audit Institution

MPA: Modern Public Administration

NPG: New Public Governance

NPM: New Public Management

NAO: National Audit Office

OECD: Organization for Economic Co-operation and Development

ONRSOAG: Oromia National Regional State Office of the Auditor General

PAASC: Public Accounts Affairs Standing Committee

SAIs: Supreme Audit Institutions

SAS: Supreme Audit Institution

SD: Standard deviation

UK: United Kingdom

US: United States

VfM: value for money

## CHAPTER ONE

### 1.1 Introduction

In the public sector, government auditors were traditionally concerned with financial, regularity, and compliance audits. Performance audit is a recent expansion in the scope of auditing. According to the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics (1998), performance audit is an audit of economy, efficiency and effectiveness with which the audited entity uses its resources in carrying out its responsibilities. Historically, performance audit was introduced in the 1960s in country like United States (US) to provide assurance over accountability concerns in the public sector (Pollitt & Summa, 1997). They also add that in addition to accountability performance auditing emphasis on performance improvement in the public sectors. Performance audit is a systematic, purposeful, organized and objective examination of government activities. It provides parliament with an assessment on the performance of these activities with information, observations and recommendations designed to promote accountability in government and to ensure an ethical and effective public service, good governance and sustainable development (Waring & Morgan, 2007).

Since there is an increasing demand on a better public accountability across nations, the role of performance audit in government sector is becoming popular (Pollitt, 2003). The Organizations for Economic Co-operation and Development (OECD) countries have been aware of this need since they have reformed their public management to be more transparent, accountable and provide better service (OECD countries symposium in Paris on 6-7 June 1995).

The process of performance audit implies an interaction and communication between the auditors and audited public sectors. This process constitutes an attempt by the auditors to influence audited public sectors, both to make real change in the way they manage public resources, and to improve performance by implementing the performance audit recommendations (Morin, 2001). Morin also indicate public sector performance audits offer advice or recommendations on operational improvements and performance audit is primary to enhance accountability for the government entity. Good or positive perceptions of the audited entities on performance audit, perception of the auditees on auditors' performance audit recommendations, and auditees' implementing performance audit recommendations have used to

assess role of performance audit on performance improvement in the audited entities (Morin, 2003). Morin also used activities performed by the legislature and media participation on findings of performance audit report to assess influence of performance audit on accountability.

Dereje (2012) discussed regarding performance audit in Ethiopia and Oromia National Regional State indicated in his thesis that performance audit commenced in 1992 and in 2004 at federal government and Oromia respectively. However, it did not matured due to various factors and problems such as lack of sufficient professional auditors and cooperation of auditees (audited government entities), less legislature attention, documentation system, and lack of awareness by auditee, lack of support materials and resources such as book, and infrastructure facilities.

The focus of this project paper is to assess the role of performance audit on accountability and performance improvements on some selected audited public sectors in Oromia National Regional State. The study had done by gathering information from audited public sectors regarding their perception on performance audit and on involvement of the legislature and the media in enforcing the audited sectors to enhance accountability.

Performance audit has conducted in Oromia region on few public sectors every year since it started in 2004. On the annual meeting of the *\_caffee\_* (peoples' representatives of the region) when discussion and a debate was made on annual audit report of the year 2013 there is a high needs of the regional parliaments reflected more performance audits to be conducted in the region. Due to shortage of manpower performance audit conducted in few public sectors even if the public sectors on which it could have conducted were large in numbers (Performance audit report, 2013). In addition, the report indicates that there are increasing public outcries on the government's wastage in public spending, corruption, poor governance and poor budget performance by the various government organizations in Oromia. This makes the government of Oromia to turn things around and have given rise to the demand for good governance and greater public accountability and performance improvements. Hence, the role of independent body to evaluate the economic, efficient, and effectiveness performance of government organizations become important. Beyond the presentation of the audit report to the regional *caffee* and to the audited entities it is important to conduct a study to assess or evaluate the real and concrete

changes that had brought by the performance audit on accountability and performance improvement. In other words, the roles that the previous period's performance audit conducted play on the audited organizations needs a research. Therefore, this paper initiated to considers the role of performance audit on public accountability and performance improvement in Oromia targeting to perception of the audited public sectors to performance audit conducted on them.

## **1.2 Statement of the Problem**

With methods of control, the SAIs role has increased in importance to enhance accountability and performance improvement. Its mandate, in performance audit, is to establish whether public policies, programs, projects or organizations have operated with due regard to economy, efficiency, effectiveness and good management practice (Pollitt, 1999; Power, 1997). Performance audits support parliamentary democracy by assisting the legislative power in controlling the executive (Weets, 2008). The performance audit reports intended to contribute to improved operations in the audited entities and they had used by the parliament and its control committee to hold the audited entities to account for unsatisfactory performance, management practice or lack of compliance in policy area (Laegreid, 2013). Colleen, Waring, Stephen,& Morgan (2007) state that performance audit reports with recommendations for improvement has sent to managers, ministers, and legislators, who are responsible for enacting the recommendations or ensuring accountability for corrective actions. Performance audit achieves its objectives of enhancing accountability and performance improvement if performance audit gets recognitions by the audited entities and other stakeholders outside the audited entity (Morin, 2004).

Starting from 2004 performance audit has conducted in Oromia on public sectors by Office of the Auditor General of the region (Dereje, 2012). The objective of performance audit of the Oromia National Regional State Office of the Auditor General (ONRSOAG) is to assess if the audited entities perform in an economic, efficient, and effective way to achieve their goals (proclamation 154/2010 of ONRSOAG). Accordingly, the performance audit work of the ONRSOAG is resulted in the audit report, which contains audit findings and recommendations to the audited entities. As indicated in the performance audit reports of the ONRSOAG for the years 2012 and 2013, findings related to diseconomy, inefficiency in utilization of public resources and ineffectiveness of objectives had observed within regional audited entities

repetitively from year to year. In implementing performance audit recommendations, which these reports also imply audited entities learn little from the previous audit work.

To date there is no academic study conducted regarding role of performance audit on accountability and performance improvements in the audited entities of the region. Even from the side of Office of the Auditor General, for example through follow up, no work has performed to identify role of performance audit on accountability and on performance improvements. Factors such as perceptions of the audited entities on performance audit, perception of the auditees on auditors' performance audit recommendations, and auditees' implementation of performance audit recommendations, activities performed by the legislature and media participation in performance audit findings have used to assess the roles of performance audit on accountability.

Having the above problems, this project paper has designed to answer the following basic questions:

- What are the perceptions that the auditees' have on performance audit?
- What are the perceptions of the auditees' on the auditors' performance audit recommendations?
- What are the improvements that the auditees made by implementing performance audit recommendations?
- How do the audited sectors perceive role of the legislature on the performance audit report of the sectors?
- How do the audited sectors perceive role of the media on the performance audit report of their sectors?

### **1.3 Objective of the Study**

The main objective of this project paper is to assess the role of performance audit on accountability and performance improvement in the audited public sectors of Oromia National Regional State.

Accordingly the specific objectives are:

1. To assess perception of the auditees' on the performance audit
2. To assess perception of the auditees' on the auditors' performance audit recommendations
3. To assess the improvements that the auditees made by implementing performance audit recommendations.
4. To assess activities performed by the legislature concerning the performance audit recommendations from viewpoint of the audited sectors.
5. To determine activities performed in the audited sectors by the media concerning the performance audit report from viewpoint of audited sectors.

### **1.4 Scope and Limitation of the Study**

The scope of this study is limited to public sectors in Oromia region. Due to shortage of time and other resources, the information obtained is from the perspective of the audited public sectors but not from the perspectives of external performance auditors, media, and legislature. Therefore, this study planned to conduct in the narrow coverage. It focused on the few of the entities on which performance audit had conducted upon them in the years 2010- 2013. The scope of the research was not used secondary data from audit reports and official documents practically due to shortage of time. Due to their busy schedule and reluctance of some officials to provide the required data, and delay in returning questioners were some of the limitations of this research. The study covered only small in number of the audited entities found in the regional bureau level and cities, which have found in Addis Ababa and its surrounding.

### **1.5 Significance of the Study**

Since performance audit become the important issue in Ethiopia and in Oromia region, attention from parliamentary discussion, this study is supposed to have different importance to those who concerned. First, it contributes the audit recommendations be performed or implemented by the audited entities by giving greater attentions. Second, this study helps in the audit work of the Office of the Oromia Auditor General to use the performance audit report as an input in the realization of public accountability and performance improvement in the public sectors. The study also helps the Oromia Office of the Auditor General to study the impact of its audit work. It fills the literature gap related to performance audit in Ethiopia. Furthermore, it indicates the future research areas in the performance audit of Ethiopia and Oromia.

### **1.6 Structure of the Study**

This project starts with chapter one, which introduces the areas of the study and defines the research problems and research questions including the objective of the study, scope and limitations of the study, and significance of the study. The second chapter deals with related literature reviews, which have consisted of the theoretical framework performance audit, empirical study on the role of performance audit in enhancing accountability and performance improvement, and summary of the findings from previous research. The third chapter described the research methodology, which had used in conducting the research. The fourth chapter shows the data presentation and analysis. The fifth chapter includes the conclusions, recommendations and future research areas.

## CHAPTER TWO- Literature Review

### **2.1 Introduction**

The researcher did not find a research conducted on the role of performance audit on accountability and performance improvements in Ethiopia and Oromia. This chapter reviewed a broad range of the existing literatures from other countries on the issues pertinent to the research title. The main aims of the review were to identify the research that has already conducted in the area of this study. This includes theoretical aspect of public sector, public sector audit, public audit institutions, types of audit, and performance audit in the public sectors, historical development of performance audit, objectives of performance audit, performance audit in contributing to accountability and performance improvement, and problems related to accept performance audit service as useful. Empirical review on impact of performance audit in enhancing accountability and performance improvement in public sectors and summary conceptual framework from previous research have presented in this section.

### **2.2 Concepts and Theoretical Development of Public Sector and Public Sector Audit**

This section assesses related literatures to have some concepts related to public sectors and their activities, public audit institutions and their activities, scope of supreme audit institutions mandate, public sector audits and objectives of public sector audit in relation to the types of SAIs.

#### **2.2.1 Public Sector**

Shim and Seigal (1995) suggest that the public sector usually considered that part of the economy, which traditionally managed and controlled by the government on behalf of the citizenry. The government therefore makes decisions on the use of, and is responsible for, the consumption of public sector resources (Jones & Pendlebury, 1992).

The public sees the government, while managing and controlling public sector resources, as using the resources for the benefit of the public and creating value for the resources (Hercok,

1989). According to Jones and Pendlebury (1992), the government controls public sector resources and uses them to fulfill certain economic roles in order to improve the welfare of the citizenry. Hercok (1989) notes that the traditional role of the public sector is to improve the welfare of citizens by delivering goods and services that cannot provide by the private sector, at a price that makes them accessible to all. Common examples of such goods and services are education, health, defense, and transportation. This is essentially a public good concept and therefore such goods recognized as public goods and have the characteristics of non-excludability and non-rivalness (Malkin & Wildvasky, 1991). Non-excludability indicates that no beneficiary can excluded from using the good, and non-rivalness indicates that the cost of producing the good does not increase as consumption of the good increases. The government, while controlling and using public sector resources and finances, expected to be accountable to the public (Hercok, 1989).

The public sector provides the citizens with much desired social necessities and the funding for the provision of these social necessities is through public finance (Musgrave, 1984). Therefore, while using and controlling public sector resources, the government in most jurisdictions expected to be accountable to the public by the oversight bodies (Dittenhofer, 2001).

### **2.2.2 Public Audit Institutions**

According to Enrique (2014), Independent institutions with the specific mandate of overseeing the public administration and exercising the answerability and judgment prerogatives are regard as independent intrastate institutions specialized in accountability. This category includes Supreme Audit Institutions (SAIs) and Ombudsman Offices even if this study concerned on the former. According to INTOSAI (2001) public SAIs, mainly conduct public sector audits. SAIs, in different countries are known also as central audit bodies, and state audit institutions, are national audit bodies which exercise external audits in order to assure public accountability.

A SAIs is very old government institutions and play important roles within the institutional mechanisms of the democratic countries (Pollitt & Summa, 1997). In some states, there are also other public sector audit bodies responsible for the public audit. Examples include some of the French inspectorates, the Audit Commission in the UK, the parliamentary audit bodies in

Finland and Sweden, and the European Court of Auditors in Luxembourg (Pollittet, Girre, Lonsdale, Summa, & Waerness, 1999).

The various audit institutions have differences in their mandate and powers, in their role and emphasis to the work. For instance, the National Audit Office (NAO) states that its primary concern is accountability to Parliament, the Australian NAO and the Swedish National Audit Office additionally emphasize the improvement to public sector performance and accountability (Pollitt & Summa, 1997). Usually, SAIs work for more than one potential client in which it could have mentioned that unlike in the private sector, in the public sector the organization audited is not the client. The closest auditor client relationship occurs with respect to the auditor general's relationship to parliament (Wilkins, 1995). Ranging from the mainly executive oriented to the mainly legislature oriented SAIs the common element of all SAIs is responsiveness to Parliament and the high degree of independence in order to secure public accountability for the probity and legality of public spending as well as for economy, efficiency and effectiveness (Pollitt & Summa, 1997).

Pollitt and Summa(1997) distinguish between four main types of SAIs deriving from the concept of representativeness and according to the differences in the constitutional contexts, powers and the institutional framework of SAIs. The first type of SAI is the court with judicial functions, for example in French; it has the legal status of a court. According to its constitution, it should assist both the parliament and the government (Pollitt & Summa, 1997). The second one is the collegiate body and the example of a collegiate body is the European Court of Audit. It is a collegiate body of 14 members, headed by an elected president (Pollitt & Summa, 1997). The third type is the independent audit office reporting to parliament, the UK NAO headed by a Comptroller and Auditor General is an example of this type of SAI (Pollitt & Summa,1997). In addition, the fourth type is the audit office within the structure of an executive government, for example the Swedish national audit office (Pollitt & Summa, 1997).

The first two types are examples of the collegiate system where the SAI headed by a group of auditors enjoying judicial or semi judicial status. The latter two represent the administrative system under which the SAI organized similarly to a government department, headed by one person, called the Comptroller or Auditor General (Wilkins, 1995). Law stipulates the independent status of the auditor general; auditor general selects what to have audit and how the

audit have conducted and reported (Wilkins, 1995). In most cases, the state auditor has no power to enforce compliance beyond the persuasive quality of his case and the reasonableness of his arguments. There are some powers, which can be used to overcome administrative resistance, if necessary, but this can only be used in extreme cases, when other forms of persuasion have failed (Morin, 2001).

### **2.2.3 Scope of Supreme Audit Institutions Mandate**

The scope of a Supreme Audit Institution mandate refers to the subject of audit, which usually determines by the audit act. Constitution or law of a given country specifies it (Roberts, 1996).

According to Proclamation Number 154/2010 to reestablish Oromia National Regional State Office of the Auditor General identifies the scope and mandate of the auditor general. Accordingly where the result of the audit makes responsible the head of the administration, the auditor general shall report to the permanent administration and controlling committee on government expense and the organ so that administrative measure to be taken against such liable administrators; follows up the implementation thereof and report to the ‘\_caffee’ about its result. The ORNSOAG is accountable to the regional ‘\_caffee’.

### **2.2.4 Public Sector Audit**

The function of the public sector audit is an ancient and respected branch of government administration. It is an activity distinct from other branches of government in the system of checks and balances involved in its position, aims and sometimes also its techniques (Power, 1997). However, the public sector audit or the public audit has always played a role in the political accountability process. Audits have demanded within the context of relations involving accountability between two parties and the operational difficulties of one party monitoring the activities of another (Power, 1997). In terms of democratic accountability, an audit provides professionally structured and independent information to a variety of actors in the accountability process (White & Hollingsworth, 1999).

According to Power the core of the modern external audit is an independent examination of, and the expression of an opinion on the financial statements of an organization by a qualified auditor. The most important and challenging conceptual ingredient of an audit

practice is independence from the matter being audited (Power, 1997). Independence creates the basis for an impartial and objective review of public activities, free of pressures from the executive, political parties, and other pressure creating groups in the political system (White & Hollingsworth, 1999).

In order to understand and analyze the auditors role, it is important to distinguish between different types of independence which are organizational and operational independence. Organizational independence is considered to be the manner in which the auditor is appointed, the development of ethical rules to ensure impartiality and the question as to whether the provision of advisory services compromises the audit role (Power, 1997). Operational independence refers to the audit process, which the audit agency uses in its work. It deals with the extent to which audit agencies can choose what to audit, when to audit, and how to publish their findings (Power, 1997).

Absolute independence is, of course, impossible. For example, to the extent that auditing must always trust at least some of the representations of senior management and other internal sources of information, the audit or is always dependent on the information of the audited entity (Power, 1997). However, relative independence is possible, and should attract more attention, especially in the context of performance audits (Power, 1997).

## **2.3 Types of Audit**

Power (1997) indicates that there have been many attempts to break the idea of auditing down to its constitutive parts in order to outline different preoccupations. One can distinguish between ex-post and ex-ante auditing, between verification and review, between audits of transaction, regularity and value for money, between private and public sector audits, between financial and nonfinancial audits, between auditing, evaluation, assessment and inspection, between big and small audits and between auditing and other forms of assurance services, between internal and external audits (Power, 1997). In the public sector, the three main types of audit usually classified and practiced are the financial audit, the compliance audit and the performance audit (power, 1997).

### **2.3.1 Performance Audit and Elements of Performance Audit**

Various terms have used for audits that go beyond the traditional financial statement audit and cover matters of economy, efficiency and effectiveness. For example, in Canada the term used is “comprehensive auditing” and this kind of audit looks at how carefully an organization has given attention to economy, efficiency and effectiveness (Leclerc, Moynagh, Boisclair, & Hanson, 1996). In the Financial Administration Audit Act (FAAA) 1995 of Western Australia (Western Australia Government), the term “performance examination” has used to refer to the examination of the efficiency and effectiveness of agencies and parts of agencies. In the same Act, the terms “performance audits” and “value for money audits” have used to describe similar roles (Leclerc, Moynagh, Boisclair, & Hanson, 1996).

INTOSAI’s (2004) Auditing Standards (AS) state the following: Performance auditing is concerned with the audit of economy, efficiency and effectiveness and considered as elements of performance audit. Performance auditing has based on decisions made or goals established by the legislature. It may carry throughout the whole public sector (INTOSAI AS). The International Standards of Supreme Audit Institution (ISSAI) 3000 defines a performance audit as an independent examination of the efficiency and effectiveness of government undertakings, programs or organizations, with due regard to economy, and the aim of leading to improvements.

#### **2.3.1.1 Audit of Economy**

- audit of the economy of administrative activities in accordance with sound administrative principles and practices, and management policies;

Economy is concerned with the following:

- reduction in costs through better contracting, bulk buying, etc.;
- reduction in costs through economies on usage of personnel or other resources;
- introduction of charges where none were previously imposed, or revision of charges;
- rationalization of facilities;

#### **2.3.1.2 Audit of Efficiency**

- 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;

Efficiency is concerned with the following:

- obtaining greater outputs from same inputs;
- remedying duplication of effort or lack of coordination;

### **2.3.1.3 Audit of Effectiveness**

- Audit of the effectiveness of performance in relation to achievement of the objectiveness of the audited entity, and audit of the actual impact of activities compared with the intended impact‘.

Effectiveness is concerned with the following:

- better identification/justification of need;
- clarifying objectives and policies;
- introducing better sub-objectives and targets;
- better achievement of objectives by changing the nature of outputs or improved targeting;

## **2.4 Historical Development of Performance Audit**

- The concept of performance auditing in the public sector has been around since the 1960s, pervasive in countries like the United States (US), Canada, the United Kingdom (UK), Australia, and New Zealand (Green & Singleton, 2009). They also claim that the United States General Accounting Office (GAO) was the pioneer of comprehensive auditing after the Second World War.
- In UK since 1st January 1984, the National Audit Office (NAO) was established, under the terms of the National Audit Act of 1983, to carry out Value for Money (VfM) audits in Central Government (Lapsley & Pong, 2000).
- Glynn (1985) also detailed the international trend in VfM auditing and its adoption by a wide range of nations. He states that the General Accounting Office (GAO) in the Federal institutions of the United States of America started in the early 1970s to formulate principles and accounting standards and performing audits, which have expanded to

include a VfM audit. Meanwhile, Sweden was the first European country formally to adopt the VfM audit, through its National Audit Bureau, in 1970.

- In Canada, the VfM audit appeared in the Canadian Public Sector auditing environment in 1977 and in 1985, the Auditor General in Quebec have authorized to carry out VfM audits in provincial departments and Government agencies (Morin, 2003). In addition, within the British Commonwealth, Canada was the first to adopt VfM auditing followed by New Zealand and Australia, where it was introduced in 1975 and 1979, respectively (Glynn, 1985).
- By the 1990s, VfM audit has fully established, with its own procedures and staff, in Australia, Canada, Finland, France, the Netherlands, New Zealand, Norway, Sweden, the UK and the USA (Johnsen, Meklin, Oulasvirta, & Vakkuri, 2001).
- In Ethiopia and Oromia National Regional State, performance audit have started in 1992 and 2004 respectively (Dereje, 2012).

## **2.5 Emerging Performance Audit Roles**

Donnell (1998), indicates the role of audit institutions is to oversee the public administration, to pass sound judgment regarding administrative acts (and sometimes public policies), and eventually to activate legal and institutional mechanisms to ensure that the public administration. These complies with legal regulations and operates within their mandates, acts efficiently and provides good quality services and fulfills and promotes principles of good governance.

The growth of performance auditing has led to a growth in the possible roles auditors might play. Pollitt (1999) argues there are at least four roles an audit office could play or have on audited government sectors. The first performance audit role is as the management consultant where the aim is to improve public management; the second is to provide assurance. Pollitt also indicate that performance audit as independent and objective external audit, its reports are also constructive, helping departments, and agencies improve their performance for the benefit of citizens and taxpayers. The fourth role according Pollitt is to enhance accountability.

The emerging role of performance audit as a helping tool for management brings it nearer to evaluation (Pollitt & Summa, 1997). They also argue performance auditing cannot become

primarily management consulting or if so it loses its institutional role. National audit bodies and the performance audits they produce now have and will have a primary role in serving public accountability. The work they do must have that as its primary purpose. While they may be able to evolve to better meet a secondary purpose of fostering improvements in public programs and their management, their primary purpose and corresponding independent institutional setting would seem to ensure that most external performance auditing and evaluation will continue to have different roles to play. This distinction remains even where performance audit is directly examining the performance of programs and is methodologically quite similar to evaluation.

Percy (2001) commenting on the role of public sector audit, argued that auditors should carry out their work, not only to maintain confidence in public spending, but also to add value by constructively reporting on ways to achieve improvement in the delivery of public services.

Institute of Internal Auditor (IIA) second edition (2012) guideline states that auditing is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources managed responsibly and effectively to achieve intended results, auditors help public sector organizations achieve accountability and integrity, improve operations, and instill confidence among citizens and stakeholders. The public sector auditor's role supports the governance responsibilities of oversight, insight, and foresight. Oversight addresses whether public sector entities are doing what they are supposed to do and serves to detect and deter public corruption. Insight assists decision-makers by providing an independent assessment of public sector programs, policies, operations, and results. Foresight identifies trends and emerging challenges. Auditors use tools such as financial audits, performance audits, investigations, and advisory services to fulfill each of these roles.

Glynn and Murphy (1996) generalize that the roles of external auditors to the public sector have expanded from simply auditing the accounts and reporting on the regularity of the public audited bodies to the evaluation of the management performance and commenting on issues such as the economy, efficiency and effectiveness of the use of taxpayers' money.

## **2.6 Public Accountability**

INTOSAI (1998) public accountability definition: Public accountability pertains to the obligations of persons or entities entrusted with public resources to be answerable for the fiscal,

managerial and program responsibilities that have conferred on them, and to report to those that have conferred these responsibilities. Accordingly, elements of public accountability and tools of public accountability have shown below.

Elements of Public Accountability:

- the recognition of the responsibility
- the provision of information on performance in a manner which users can interpret accurately
- the potential to impose sanctions

Tools of Public Accountability:

- legislative overview
- judicial review
- internal audits
- external audits
- media
- civil society organizations

Accountability has understood as responsibility, control, answerability, responsiveness, management of expectations, dialogue, and transparency (Bovens, 2005). Although all these concepts have similarities and interrelate with that of accountability, they also differ and have distinguishing features of their own. Accountability is best defined as “a relationship between an actor and a forum, in which the actor has an obligation to explain and to justify his or her conduct, the forum can pose questions and pass judgment, and the actor may face consequences” (Bovens, 2005). Accountability may take different forms depending on its objective.

Schedler (1999) identifies eight types of accountability: political accountability, professional accountability, moral accountability, constitutional accountability, legal accountability, administrative accountability, and financial accountability.

Accountability: –Accountability is the process whereby public sector entities, and the individuals within them, are responsible for their decisions and actions, including their stewardship of public

funds and all aspects of performance, and submit themselves to appropriate external scrutiny. All parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure achieve it. In effect, accountability is the obligation to answer for responsibility conferred” (*IFAC, 2001*).

According to Funnell and Cooper (1998), the chain of accountability in a democratic government system is that the public elects the members of parliament and these members are ultimately accountable to the electorate. The Ministers (who are in the government) are accountable for the conduct and the performance of their ministries in implementing the government policies, and are accountable to the Prime Minister and the prime minister is accountable for the parliament. As such, the ministers held accountable for the way in which the budgetary appropriations approved by parliament used to achieve the desired government policies. The Permanent Secretaries for each of the government ministries and the heads of departments of each of the departments are accountable to their respective ministers for use and disbursement of public funds. Thus, managerial accountability in the public organizations involves holding the managers accountable for the use of public resources.

Odia (2014) argues that good governance occurs when governing bodies fulfill their accountability obligations to those whose interests they represent by reporting on their organization’s performance. Independent body for its accuracy against the actual work done evaluates the performance report of every government organization. External audit work is one of the evaluation or control mechanism. The independence of SAIs as outlined in the Lima Declaration of 1977 and INTOSAI Mexico Declaration of 2007 promotes government accountability. For instance, Glynn (1985) has argued that a number of institutional innovations, all of which designed to increase the accountability of public sector organizations, accompanied the introduction of value for money auditing in Canada. INTOSAI (1998) debated that public accountability will be more effectively promoted where SAIs perform performance audits and holds government accountable to legislature and public for their stewardship over public funds. Glynn and Murphy (1996) finds that changes brought about by New Public Management (NPM) and performance audit allied to the changes in the nature of accountability. Glynn (1985) suggested that accountability in the public sector occurs when both politicians and the public at large assured that the public funds have spent efficiently, economically and on programs that are

effective. Performance auditing assists this process by reporting upon management's performance at all areas of government levels.

## **2.7 Performance Improvement**

According to Green and Singleton (2009), performance audit contributes toward improvements in the public sectors through it emphasizes on economy, efficiency, and effectiveness. Another researcher Power (1997) highlights the need for more attention has given to the way in which public sector performance is measured and the way in which auditors (and others) give credit for improved performance. He also suggested that public sector auditors are required to help public organizations to improve performance and assess the performance of these organizations through performance audit.

There is also some research on the subject by Johnsen, Meklin, Oulasvirta, & Vakkuri (2001) examined whether and in what way performance audits contributed to performance improvement in local governments. The study based on interviews with local civil servants and politicians, and showed that performance audits were useful for performance improvement. Other research worth mentioning is (Lapsley & Pong, 2000) study based on interviews with auditors on their own perception of the usefulness of performance audits. They concluded that performance audit contributed to the improvement of systems and processes, the adoption of best practices, the identification of redundant jobs and the improvement of risk management.

Another study set out to explain the success of the U.S. Governmental Accountability Office (U.S GAO) and concluded that their success based on their good relations with the Congress and the media, their follow-up systems and the nature of their recommendations (Johnston & William, 1988). Meer (1999) tried to find out whether learning processes were, been generated and enhanced in the audited organizations as the result of the performance audits and found that performance audits were useful for performance improvement.

Morin (2001) found that some of the audited organizations rejected the recommendations formulated by the auditors mainly because the recommendations aiming to improve efficiency would prevent these organizations from achieving their objectives (effectiveness) or vice versa. Morin (2003) argued that, controlling performance and improving it are two important objectives of the Public Sector audit. Controlling performance in order to inform the Government is

essential for the administration in public organizations, but it also fulfills an important function of encouraging change and improvement in public administration. Morin also argued that audit has always linked to control and has gained its credibility through the objectivity, independence and professional competence of the auditors and their ability to assess the information provided by the management in order to assure the shareholders, creditors and the public of the ability of public management to provide objective information. When the auditors are required to carry out VfM audits to improve performance, their background and prior experience, he argues, strongly influences their approach to their role as controllers and may likely cause a conflict between these two roles.

## **2.8 Empirical Review on Performance Audit in Public Sectors**

In addition to the above theoretical recognition of performance audit and its importance in public sectors, it is important to examine some of the empirical studies that had carried out on the contribution of performance audit on accountability and performance improvements through participation of legislature or parliament and media have discussed in this section.

Dereje (2012) in his thesis entitled “the role of performance audit in fighting corruption” taking evidences from both Ethiopian Federal Government and Oromia regional state used a mixed methods research approach to test a research hypothesis and answer research questions. Specifically, the study used surveys of performance auditors, ethics and anticorruption commission officials and turn out auditors, documentary analysis using audit report, budget, and other documents, and interviews with head of performance audit division and public accounts administration standing committee. His thesis finding shows that even though each performance report is full of finding with probable corruption clue areas performance audit did not used as an input in fighting corruption both in federal and regional levels. The focus of this project paper is also to assess role of the performance audit of supreme audit institution in enhancing accountability and performance improvements in the audited organizations Oromia Regional National State.

Reichborn-Kjennerud (2014) indicated performance audit reports and the debates they initiate in the public realm. In this study, the case of Norway is analyzed using mixed methods including a questionnaire, mapping and categorizing of reports, document studies and interviews. The results

show that the Norwegian Supreme Audit Institution (SAI) is primarily preoccupied with managerial issues of the audited government organizations. It is nevertheless open to interpretation whether the preoccupation with managerial issues primarily implies efficiency and effectiveness focus or an assessment of compliance to managerial standards. Most audit reports get moderate attention in the media and in the parliamentary control committee. Therefore, the direct dialogue with the ministries becomes important for the performance audits' influence. It also indicated that in the public debate of the SAI, the ministries and the members of parliament base their argumentation in different institutional logics. These logics can lead to different interpretations of the control system, laws and regulations and hamper the State Audit Institution's influence.

The audited public sectors use various strategies to respond to the SAI's performance audits. The influence of the SAI has enhanced when its conclusions and methods of communication are compatible with the auditees' interests and values. If the auditees disagree with the auditor's findings and /or recommendations, the SAI must convince both the control committee and the parliament to apply sanctions and force the auditees to comply. If the auditees consider the findings important, extensive improvements may have used even if sanctions are absent. The case studies in the literature part showed that the SAI could influence auditees when the control committee has mobilized. This demonstrates that persuasion through discourse and deliberation is not the only factor determining the SAI's influence. Civil servants such as top executives, middle managers or bureaucrats without leadership responsibilities also matters for their perception of the quality of the reports. The top executives are the most sceptical towards the reports. This shows that they are the most accountable parties who have the most negative attitude in this respect. It is likely that the SAI's influence would have increased if these actors were more positive. Thus, in order to enhance its influence, the SAI would have advised to customize its reports to their liking.

Reichborn-Kjennerud (2011) in the research title ~~the~~ "the influence of performance audits on civil servants-what contributes to improvement and accountability in the audited entities?" indicate majority of the respondents saw that performance audit as useful. This study uses a questionnaire to civil servants that have experienced performance audit to investigate the influence of performance audit. Good quality reports that contributed to learning and considered comments

enhanced their perception of usefulness. Likewise, their agreeing to assessments and perceiving the Office of the Auditor General as an institution furthering improvement and transparency contributed positively. Media interest, pressure from political opponents, interest groups and the Standing Committee on Public Accounts, as well as the audited Civil servants position in the organization had an impact on the accountability dimension. These results show that control in a New Public Management regime can make the government administration improve, but is contingent on how the audited civil servants perceive of the performance audit. Opening of all PAC hearings to the media and the public contributes more to accountability. The outcomes of such a shift in countries are worth assessing as to whether they are successful in enhancing accountability, the take-up of recommendations and useful public awareness; and whether they lead to any negative responses from the executive.

Reichborn-Kjennerud (2013) in the study entitled “political accountability and performance audit” show performance audit contribute to political accountability. The study used questionnaire to examine the influence of performance audit by analyzing data from a survey of 353 civil servants who have experienced one or more performance audits. Based on the assessments in the reports, the audited civil servants were expecting to make changes and improve. At the same time, the performance audit is a tool designed to hold ministries and the government administration accountable for government spending and for results. The study had shown that the ministries and the government administration perceived by civil servants to hold accountable to some extent, based on performance audit reports, but that this is largely not the case.

Reichborn-Kjennerud, (2015) in the study entitled “Resistance to Control—Norwegian Ministries’ and Agencies’ Reactions to Performance Audit” found that ministries are increasingly subject to control, primarily by State Audit Institutions. This control assumed to contribute to improvement. Based on survey data from 353 civil servants in Norway the study analyses the ministries and agencies’ responses to the SAIs control. The analysis shows that civil servants in the ministries tend to be less positive to performance audit when compared to civil servants in the agencies. Top executives, irrespective of administrative level, were more negative than middle managers and other public employees. In addition civil servants more exposed to performance audit were, in general, more negative towards it.

Manaf (2010) in his study entitled “the impact of performance Audit: the New Zealand experience” indicate that performance audit is an innovation that emerged amidst accountability concerns in the public sector. Economic crises, ministerial scandal and inefficiencies were among the impetus that led the public to demand better performance and greater accountability in the public sector, and performance audit was among the many responses to such demand. Adapting the methodology from grounded theory, his study looks at the impact of performance audit on seven entities audited in 2006 by the Auditor General of New Zealand. His study found that the entities influenced through the manifestation of implemented audit recommendations and the attainment of performance audit goals. In particular, there is a high acceptance and implementation rate to the audit recommendations made in the seven audits. The implementation of accepted recommendations consequently led to the changes within the entities in terms of managerial practices, as well as internal systems and processes. In some entities, these changes translated into performance improvement, where the entities experienced changes in the way that they carried out their operations. However, based on interviewees’ accounts being the auditees of the audits, most interviewees viewed performance audit as having a greater role for performance accountability compared to performance improvement. Whilst the auditees found the audit recommendations useful, the impact on performance in their view has not been significant. Rather, the auditees viewed performance audit as having a more important role as an assurance tool in terms of their accountability to the public.

Morin (2003) examined the role that performance auditors play in Canada and whether their relations with auditees differ. She found that the response of auditees to performance auditors who have an improvement agenda is not positive than their response to conservative performance auditors and that conservative performance auditors have a bigger impact. Part of her explanation for this finding was that it takes time to get used to new roles. Another reason could be the more traditional culture in the Canadian SAI and its more limited mandate (Morin, 2003).

Morin (2004) in the study entitled “measuring the impact of value-for-money audits: a model for surveying audited managers” indicated that the practice of value-for-money legislative audits was conceived to improve the management of public programs by making it more economical, more effective, and more efficient. The study examined the impact VfM audits have had on the

management of organizations in the government of Quebec based on survey model of inquiry. The variables measured in this article include the value that performance audit adds to the audited organizations, the relevance of the recommendations formulated by the auditors, the deterrent of potential audits on public sector managers, and the changes that occurred in the audited organization's management practices. Morin also includes relations that performance audit has with its stakeholders or citizen for accountability, the ways in which the auditors' report has been useful to the auditees, the concrete actions taken following VfM audits, the organizational and personal consequences of the performance audits. According to Morin (2001), benefits of citizen engagement in public accountability include:

- Complementation of activities between state auditors and civil society thereby expanding coverage and improving quality of review and accountabilities
- More credible public dissemination of government programs
- Government personnel more aware of external scrutiny and become more responsive to public needs
- Promotes reform in processes and procedures
- Reduction in corruption
- Improved services

Etverk (2002) in the study entitled "measuring performance audit effectiveness: the case of Estonia", the alternative ways of measuring performance audit effectiveness are introduced and the possible criteria influencing their effectiveness are highlighted. The empirical study examines, whether these criteria (success factors) have positively influenced the performance audits conducted in Estonia. On the basis of the study the conclusion reached that performance audit effectiveness depends on factors linked to the audit process, the auditees' characteristics and the existence of certain environmental conditions. Although the chosen performance audits added little value to the audited topic, it turned out that the auditees' attitude towards the performance auditors was positive and the performance audit was considered to be a necessary and useful audit type. According to the auditees' perception, they gained added value from the audit as it gave a systematic and thorough analysis of the whole topic and provided help in identifying the problems. In addition the audit results provided help to the audited body in discussions about the

audited topic with other institutions and in justifying their future choices to overcome the problems.

Loocke and Put (2011) highlight three factors that contribute to an increased impact of performance auditing (1) media pressure, pressure from interest groups, pressure from parliament; (2) relationship auditor and 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. The authors consider that SAIs can use this knowledge to optimize factors that are within their control such as the auditor and auditee relation, develop influencing strategies for the factors outside of their range of influence, invest sufficient resources in the audit selection and planning, increase their efforts to disseminate their audit results and confer with all relevant stakeholders. The accountability of the government to the parliament is inherently political. It is the parliament, which on behalf of the voters holds the minister to account for the SAI's findings. The accountability of the ministries to the SAI is diagonal because the latter serves as an administrative agent for the parliament. From this hierarchical relationship, the SAI derives informal power in which, because auditors cannot formally sanction auditees. The implication of this relationship is that the SAI's influence depends on the reactions of the parliamentary control committee.

According to Weets (2011), auditees consider the influence attempts of auditors as legitimate. It argued that the factors that foster the success of audits vary strongly depending on audits. Fourteen performance indicators taken into consideration: Five deals with auditee perceptions and reactions with regard to auditors' influence attempts, seven of them related to the perceived impact of audit on audited organization and two of them related to the contribution of the audit to public debates.

## **2.9 Summary of the Literature Review**

Many empirical works have done regarding contributions of performance audit to accountability and performance improvements in audited public sectors. Review of the literature showed that researches of different scholars using empirical investigation resulting in different findings. For instance, empirical study found that performance audit contributes to accountability and performance improvements in audited public sectors (Etverk, 2008; Manaf, 2010; Morin, 2001).

It found that performance audit had contributed little to accountability and performance improvements in the audited public sectors (Morin, 2003, 2004; Reichborn-Kjennerud, 2011, 2013, 2014, 2015). They also add that some of audited public sectors have negative perceptions on performance audit conducted by auditors and the influence made on the audited public sectors by parliament and media is not significant.

The role of performance audit on accountability has assessed based on factors such as pressure from the legislature or a member of parliament's actions and press coverage or media interest on performance audit findings. The role of performance audit on performance improvements were assessed based on factors such as perception of the auditees' on the performance audit; perception of the auditees' on the auditors' performance audit recommendations; and improvements that the auditees made in implementing performance audit recommendations. According to Morin (2004), auditors' recommendations seemed to figure among the top priorities of the organizations audited, which is perhaps an indication that the auditors did accurately target root problems. The will expressed by those at the base of the organization audited, as well as its central and the political authorities, also seems to play a very important role in the eyes of the auditees. In many cases, the audited managers recognized contribution of parliamentarians is important. This indicated that parliamentarians played an important role in forcing government managers to comply with the measures recommended by auditors. Audited managers acknowledged, on average, that press coverage spurred them into action in implementing performance audit recommendations.

## CHAPTER THREE- Research Methodology

The following sub sections describe the research methodology that consists of study design, identify study subject/population, sampling methods used, determine sample size, sources of data and methods of data collections, and data analysis techniques.

As the study area, this research bases on public sectors in Oromia National Regional State on which performance audit conducted on them at the regional level and cities, which have found in Addis Ababa and its surrounding. Due to shortage of resources, the study had considered few sectors that exist in Addis Ababa and its surrounding.

### **3.1 Research Design**

In this study on the role of performance audit on accountability and performance improvement, descriptive research strategy has used. Descriptive study enables to present or describe accurate profile of persons, events or situations (Polit & Hungler, 2004). The title and the objective of this research stated as the role of performance audit on performance improvement and on accountability in the audited public sectors are suitable for descriptive type of study.

Respondents are from presently working employees in selected audited public sectors in Oromia on which performance audit have conducted. As the type of research study is descriptive, the unit of analysis is public sectors and the point of focus is the role of performance audit, sample of survey design has considered as the most appropriate to conduct this research. Some of the questionnaires have modified and used by the researcher were first developed by other researcher (Morin, 2001, 2004) in the study to assess the influence of value for money audit on public administrations-looking beyond appearance, and the impact of value for money auditing respectively. In addition, other questions used have developed or prepared by the researcher, which have assumed appropriate for this study from experience and academic knowledge. Accordingly, the researcher employed this method of data collection and data analysis by modifying when the desire arises as it is appropriate to Oromia context. In this research, three factors have used to measure the role of performance audit on performance improvements and two factors have used to measure the role of performance audit on accountability in those some selected audited public sectors in the region. The perceptions of the audited public sectors on the

performance audit, perceptions of the audited public sectors on the auditors' performance audit recommendations, and improvements that the audited public sectors made in implementing performance audit recommendations have considered as factors or indicators of performance audit role on performance improvements. Activities performed by the legislature or 'caffee' on performance audit findings from point of view of the audited public sectors, and media participation in performance audit report from viewpoint of audited public sectors are considered as indicators of role of performance audit on accountability.

Survey study has designed in a manner that enables sufficient data collection and at the same time achieves the research objective. Having verified the problems and developed questions, the researcher engaged into a fieldwork to obtain relevant primary data for the execution of the study. Survey method of gathering data from respondents that have sampled from existing population using an instrument composed of closed ended questionnaire. The method attempts to collect data from members of a sample and describes existing experience by asking employees the role of performance audit on accountability and performance improvements.

### **3.2 Population and Sample Frame**

The population of the study here were those all thirty (30)-public sectors on which performance audits had conducted on them from the beginning of the year 2004 to 2013 and are shown in appendix 1. Performance audit had started in the region in the year 2004 and there were on thirty- (30) public sectors in which performance audit had conducted to the year 2013. From the total population of the audited public sectors that have shown in appendix 1 the following total number of targeted population assumed and from which sample has taken for the study as shown in table 3.1. The sample selection of audited public sectors considers year of the performance audit work. As the audit year is far back it is difficult to obtain the required information and if the audit year is very recent, it is difficult to the respondents to evaluate and give information on role of performance audit on accountability and performance improvements. Top-level managements, middle level managements and employees at the operational level of the concerned departments of performance audit were the targeted population because they involved particularly in the performance audit of their sector. Planning department, finance department, audit department, communication department and department on which performance audit have

conducted were part of the sample to which questionnaires distributed and collected because the study area of this research is their concern.

Table 3.1-Targeted Population

| Level of management     | Planning Department | Finance department | Audit department | Communication department | Department on which performance audit were conducted | Bureau Head or Deputy bureau head | Total targeted population per sector | Total targeted population for 8 selected sectors |
|-------------------------|---------------------|--------------------|------------------|--------------------------|------------------------------------------------------|-----------------------------------|--------------------------------------|--------------------------------------------------|
| Top level management    |                     |                    |                  |                          |                                                      | 1                                 | 1                                    | 8                                                |
| Middle level            | 1                   | 1                  | 1                | 1                        | 1                                                    |                                   | 5                                    | 40                                               |
| Operational             |                     | 1                  |                  |                          | 1                                                    |                                   | 2                                    | 16                                               |
| Total target population | 1                   | 2                  | 1                | 1                        | 2                                                    | 1                                 | 8                                    | 64                                               |

Source: from audited public sectors

### 3.3 Sample Size

It costs very high and not necessary the study to cover all public sectors on which performance audits conducted as the result sample has selected to conduct the research. The sample sizes for this project work were fifty-six (56) employees in total have selected from eight public sectors audited as the sample from the targeted population. Seven employees from each audited public sectors have selected. The sample considered select staffs in eight of the audited public sectors, which include one (1) top management from each sector, two (2) concerned department employees on which performance audit had conducted, one (1) employee from audit department, one (1) employees from finance department, one (1) employee from planning department and one (1) employee from communication department.

### **3.4 Sampling Method**

Bernard (2002) suggests that purposive sampling technique, also called judgment sampling, is the deliberate choice of an informant due to the qualities the informant possesses. And it is a nonrandom technique that does not need underlying theories or a set number of informants or simply put, the researcher decides what needs to be known and sets out to find people who can and are willing to provide the information by virtue of knowledge or experience (Bernard, 2002).

A long duration from the time the audits were undertaken will create difficulties in identifying the department on which performance audit had conducted, retrieving data from the archives, and even more difficulties in finding persons who were part of the audit to inquire in the public sectors on which performance audit were conducted. Even, if the sample is of very recent audits, this may not allow for any performance improvement and impact on accountability of the audit to materialize. Therefore, for the purpose of reliability, contextual relevance and ease of data gathering eight (8) of the public sectors audited in the years 2010-2013 had chosen for this research. Numbers of employees from each department have selected in that they were involved in the performance audit conducted in their sector and are supposed to evaluate the role of performance audit on accountability and performance improvements. To get reliable information the researcher considers bureau head or deputy bureau head to include in the sample as top-level manager, who is responsible for all activities of an audited public sector, which is also specifically concerned in implementing performance audit recommendations and accountability for decisions made, by all level managers. More numbers of employees have selected from department on which performance audit were conducted because they involved more in performance audit work, they have concerned more to implement performance audit recommendations and more accountable for the decisions they made. One employee from planning department has selected to have information on inclusion of performance audit recommendations in planning documents of the audited public sectors and to obtain other perceptions. One employee have selected from finance department to have information on economic acquisitions of inputs and other perceptions. One employee from the internal audit section has selected to get information on the performance improvements of the performance audit and on accountability role of the performance audit. One employee have selected from

communication department to have information on activities performed by the media on performance audit reports and other perceptions.

Nonprobability sampling, purposive sampling, technique has used in selecting audited entities and interacting with staff of the selected audited entities. The main reasons for using purposive sampling method are possibility of obtaining data and appropriate respondents from the targeted population.

### **3.5 Instrument Developments**

Primary data sources were from sample selected employees of the public sectors on which performance audit have conducted. Questionnaires distributed to the concerned employees or to those who have experienced in performance audit (presented when performance audit were conducted in the sector) in the public sectors and have completed and returned by the respondents. Survey research is the method of gathering data from respondents using an instrument composed of closed structure questionnaire.

This research used questionnaires as a method of collecting data. Some of the questionnaires have developed based on the literature review, model developed by (Morin, 2001). In order to collect the required information for this project, closed ended questionnaires have used. In addition, questionnaires were distributed through on hand delivery to an employee who has acquaintance and willing to contact persons, which in turn questionnaires were distributed to employees involved in the performance audit process especially from management groups/units, finance and administration units, internal audit units, communication departments, planning unit, and departments on which performance audit were specifically conducted. Questionnaires distributed have collected through the contact person. The questionnaires, which have used by this research as source of data collection instrument, are close- ended. This is because close-ended questions will provide structured responses and there by enable to analyze in a better way than open-ended question responses.

The questionnaires were prepared in English language, as the participants have considered professionals working in those selected government sectors even if the medium of communication is not English language in their work place. The questionnaires had divided in to two categories. The first part focused on demographic information such as, gender, age, level of

education, area of assignment or their work position (level) in their organization. The second part focuses on specific questions regarding role of performance audit on enhancing accountability and performance improvement in the audited public sectors or on their own sector.

The questionnaires had developed based on a 5-point Likert-scale rating method so that the respondents could have options to answer and responses would have analyzed statistically. In developing, the questionnaires respondents have expected to answer the questions based on their knowledge as Strongly Agree (SA), Agree (A), Neutral (N), Disagree Agree (DA) and Strongly Disagree (SDA). A response of strongly agree takes 5 points, agree takes 4 points, neutral takes 3 points, disagree takes 2 points and strongly disagree takes 1 point. Johns (2010) indicates that a Likert-scale is the scale named after its inventor, psychologist Rensis Likert, and can have used in questionnaires to obtain participant's preference or degree of agreement with a statement or set of statements.

### **3.6 Data Analysis Methods**

It has required that data had collected and analyzed using the statistical tool. After the data related to the research objective had collected, they analyzed. Descriptive statistics have used to analyze the data collected using questionnaires. The analysis results of the questionnaires have presented by use of tables. To analyze the data simple percentages, mean, and standard deviation have computed and findings have presented, discussed and interpreted in which relevant to the research objectives. Microsoft Excel program has employed in order to analyze the data collected through questionnaires. This program enabled to generate descriptive statistics analysis results (such as mean and standard deviation). The data were coded and entered into Microsoft excels spreadsheet. Therefore, the data collected using questionnaires have analyzed and the results have presented using tables and others using percentages. Data collected on background of the respondents have manually analyzed using percentages.

The responses of respondents for the variables indicated in this research have measured on five point Likert scale. To interpret the descriptive statistical analysis results of mean and standard deviation the researcher have reassigned the scales here to make the interpretation easy and clear. According to Tadesse (2015) quoting the work of Best (1977), consensus agreement if the mean value fall under the following ranges, it has the following meaning and interpretations that the

researcher have used the same. If the mean result is 1.00-1.80 lowest for strongly disagree, 1.81-2.61 lower for disagree, 2.62-3.41 average or moderate for neutral, 3.42-4.21 is good/ high for agree, and finally 4.22-5 is considered very good for strongly agree.

## **CHAPTER FOUR- Data Analysis, Results and Discussions**

This chapter includes analysis of the data based on the data collected from the participants and results or findings of the study as set out in the research methodology in answering the research questions and discussions on the results. The study findings have presented the role of performance audit on accountability and performance improvement in some selected audited public sectors of Oromia National Regional State. The data gathered from sample audited public sectors through questionnaire as the data collection instrument. Analysis related to response rate, profile of the respondent, role of performance audit on performance improvements and role of performance audit on accountability have presented in this chapter on the bases of related factors measurements.

### **4.1 Response Rate Analysis**

The study targeted eight (8) audited public sectors to collect the research data. Managers of the sample-audited public sectors were those communicated to identify the departments and key employees that participated in the works related to the performance audit during which it had performed by the performance auditors. Thus using the structure of each audited public sectors to have those who can provide information based on their experience and responsibility fifty-six (56) employees have selected purposively from targeted population of these eight audited public sectors. Questionnaires have given to fifty- six (56) staffs that have selected as informants from those sectors. Forty- three (43) staffs have responded to the questionnaires. That is 76.79% of the respondents returned the questionnaire properly. Thirteen (13) or 23.21% of the employees did not respond to the questionnaire because they were on field for long time and others for they were busy based on some information obtained from contact persons.

### **4.2 Profile of the Respondents**

Respondents' background analysis result that obtained from part one of the questionnaires presented in this part.

Table 4.1 Sex of the Respondents

| Sex    | Frequency | Percent |
|--------|-----------|---------|
| Male   | 33        | 76.74   |
| Female | 10        | 23.26   |
| Total  | 43        | 100     |

Source: Survey results

As observed from the above response table, the numbers of male respondents are 33 and female respondents are 10 in number. When expressed in percent male respondents are 76.74% and female respondents are 23.26%, which are lower than that of male respondents.

Table 4.2 Ages of the Respondents

| Age category       | Frequency | Percent |
|--------------------|-----------|---------|
| Below 20 years     | 0         | 0.00    |
| 20-30 years        | 10        | 23.26   |
| 31-40 years        | 7         | 16.28   |
| 41-50 years        | 18        | 41.86   |
| 51 years and above | 8         | 18.60   |
| Total              | 43        | 100     |

Source: Survey results

As it seen from the above table, there are no respondents below ages of 23 years. Respondents of 23.26% are between ages of 20-30 years, 16.28% of the respondents were between 31-40 years old, 41.86% of the respondents were between ages of 41-50 years old, and 18.60% of the respondents were ages of 51 and above.

Table 4.3 Education Level of Respondents

| Level of education | Frequency | Percent |
|--------------------|-----------|---------|
| Secondary school   | 0         | 0.00    |
| Diploma            | 0         | 0.00    |
| Degree             | 32        | 74.42   |
| Masters            | 11        | 25.58   |
| PHD                | 0         | 0.00    |
| Total              | 43        | 100     |

Source: Survey results

From the table above there are no respondents with education level of secondary school, diploma and PhD. The 74.42% of respondents were first-degree holders, which were 32 in numbers, and 25.58% of the respondents have master degree, which were 11 in numbers. The analysis results show that respondents are educated and their educational level can help them to respond with good understanding of the questions and help to some extent to obtain complete information.

Table 4.4 Work Position of the Respondents

| Work position     | Frequency | Percentage |
|-------------------|-----------|------------|
| Top management    | 4         | 9.30       |
| Middle management | 15        | 34.89      |
| Operational       | 24        | 55.81      |
| Total             | 43        | 100        |

Source: Survey results

As seen on the above table 9.30% of the respondents were top management members, which were four (4) in numbers, 34.89% were from middle management members, which were fifteen

(15) in numbers, and 55.81% were at the operational levels which were twenty-four (24) in numbers. This analysis results is to show that accountability exists at all management levels and employees concerned to the work to be improved improve performance. In addition, to obtain complete information from all levels of management in these selected audited public sectors.

### **4.3 Role of Performance Audit on Performance Improvements**

In this research, perceptions of the audited public sectors on performance audit, perceptions of the audited public sectors on the auditors' performance audit recommendations, and improvements that the audited public sectors made by implementing performance audit recommendations have used as factors to assess performance audit role on performance improvements. The related data analysis results and discussions have presented in the following tables 4.5- 4.7 and paragraphs.

#### **4.3.1 Perceptions of the Audited Public Sectors on the Performance Audit**

Perceptions of the audited public sectors on performance audit regarding to the statements presented in the following table have considered assessing the role of performance audit on performance improvements. Positive perceptions by employees of the audited public sectors on performance audit can result in the usefulness to the audit for their organizations and for the employees themselves to evaluate performance and then to take corrective measures (Morin, 2001).

Table 4.5 Perception of the audited public sectors on the performance audit

| Statements                                                                    | Mean | Standard Deviation(SD) |
|-------------------------------------------------------------------------------|------|------------------------|
| 1. Performance audits build or increase public trust in your service delivery | 4.12 | 1.14                   |
| 2. performance audit has a controlling role                                   | 4.23 | 0.95                   |
| 3. performance audit analyzed the economic aspects of your service            | 4.02 | 1.16                   |

|                                                                                                                                         |      |      |
|-----------------------------------------------------------------------------------------------------------------------------------------|------|------|
| delivery                                                                                                                                |      |      |
| 4. performance audit analyze the efficiency of your service delivery                                                                    | 3.95 | 1.15 |
| 5. performance audit analyze the effectiveness of your service delivery                                                                 | 3.69 | 1.93 |
| 6. performance audit determine whether your sector programs comply with applicable laws, rules, regulations, or policies and procedures | 4.34 | 0.65 |
| 7. performance audit used as a whistleblower function and draw your organization's attention to specific problems                       | 4.19 | 0.74 |
| 8. Performance audit contributed to the well-being, motivation and performance of your individual employee                              | 3.79 | 1.10 |
| Average mean                                                                                                                            | 4.04 |      |

Source: Survey results

As shown in the above table 4.5 the survey analysis result of the average mean 4.04 shows that majority of the respondents agree that audited public sectors considered for this study have positive perceptions to the performance audit conducted on them. This could be as the result of awareness creation by ONRSOAG on overall audits to employees found in some public sectors that have found in the region. This good perception to performance audit implies cooperation of the audited public sectors to the performance audit work by the auditors. Perception of the selected audited public sectors on the auditors' performance audit can result in good role of performance audit on performance improvements as indicated in the theoretical parts of this research. From the side of the audited public sectors the good perception as usefulness of performance audit leads to operational improvements if the performance audit makes to learn from their mistakes and performance improvements. Perception is a key for actions that have

taken by the audited public sectors (Morin, 2001). Respondents strongly agree to statements or questions 2 and 6 with the mean results of 4.23 and 4.34 and SD of 0.95 and 0.65 respectively. Most of the respondents agree that performance audits build or increase public trust in their service delivery to the society, which has the mean result of 4.12 and SD of 1.14. In which the SD shows that the individual respondents on average, where a little over one (1) point away from the mean in which indicates that the respondents perception were close to one another. Analysis result show that performance audit has the least role in analyzing the effectiveness of service delivery of the audited entities when compared to efficiency and economic aspects of the audited public sectors.

#### **4.3.2 Perceptions of the Audited Public Sectors on the Auditors' Performance Audit Recommendations**

Perceptions of the audited public sectors on the auditors' performance audit recommendations on the bases of statements shown in the following table used to assess the role of performance audit on performance improvements. As indicated in the literature part positive perception by employees of the audited public sectors on the auditors' performance audit recommendations indicate that recommendations are helpful and ready to implement by these audited public sectors.

Table 4.6 Perception on performance audit recommendations

| Statements                                                                                       | Mean | Standard Deviation |
|--------------------------------------------------------------------------------------------------|------|--------------------|
| 1. The performance audit recommendations were targeted the true problems.                        | 3.83 | 0.79               |
| 2. The performance audit gave you recommendations that were appropriate, realistic and feasible. | 3.78 | 0.75               |
| 3. The performance audit recommendations were truly reach the source of the problem              | 3.71 | 0.83               |
| 4. Some the performance audit recommendations were outdated because of important changes in      | 3.14 | 0.84               |

|                                                                                                             |      |      |
|-------------------------------------------------------------------------------------------------------------|------|------|
| the internal or external environment of your organization (New rules, regulations, policies, or procedures) |      |      |
| 5. The performance audit recommendations were pointed out or show you the serious problems                  | 3.76 | 0.71 |
| 6. The performance audit recommendations were clear.                                                        | 3.42 | 0.94 |
| 7. The performance audit recommendations were easy to implement                                             | 3.14 | 0.97 |
| 8. We had good understanding of the recommendations presented in the performance audit report               | 3.54 | 0.88 |
| Average mean                                                                                                | 3.54 |      |

Source: Survey results

As shown in the above table 4.6 of the data analysis, the average mean result 3.54 indicates that majority of the respondents agree that audited public sectors considered for this study have positive perceptions on the auditors' performance audit recommendations. Audited public sectors have good clarity to the recommendations given by the auditors. This is the base for the audited public sectors to implement the recommendations given by performance auditors. This implies performance auditors perform well in making performance audit recommendations that are appropriate, realistic, and feasible in the eyes of the audited public sectors. Majority of the respondents were neutral to statements /questions 4 and 7 with mean result of 3.14 and SD of 0.84 and 0.97 respectively. Majority of respondents agree that the performance audit recommendations were targeted the true source of problems with mean value of 3.83 and SD of 0.79. Regarding this, responses of the respondents were close to one another.

The data analysis results show that 23% of the respondents said that management of the audited public sectors on which performance audit had conducted have a plan to implement performance audit recommendations. According to the analysis made 65% of the respondents said that management of the audited public sectors organizations on which performance audit had conducted did not have a plan to implement performance audit recommendations. The analyses

indicate that 9% of the respondents did not know about this issue. The rest of the respondents did not respond to this question. Among the ten (10) respondents who said management of the audited public sectors on which performance audit had conducted have a plan to implement performance audit recommendations, four of them said that audited public sectors have adequate process for ensuring that performance audit recommendations have implemented as planned. The other four (4) of the respondents said that audited public sectors did not have adequate process for ensuring that performance audit recommendations have implemented as planned. The rest two (2) respondents did not know about the issue. As indicated in the theoretical part having a plan and including it in the planning documents of the audited public sectors is very important to evaluate and control the auditees' performance of implementing performance audit recommendations. Based on the data analysis majority of the audited public sectors do not have document that shows audit recommendations have planned on, implemented, in progress, and not implemented. This shows that these some selected audited public sectors did not give the required attentions to work on implementation of performance audit recommendations.

#### **4.3.3 Improvements the Audited Public Sectors Made by Implementing Performance Audit Recommendations**

Improvements that the audited public sectors made based on performance audit recommendations, which have shown in the table below, have used to assess role performance audit on performance improvements in the audited public sectors. As indicated in the literature part improvements that the audited public sectors made are implications of changes that the performance audit has brought on the audited public sectors after the performance audit recommendations implemented by the audited public sectors.

Table 4.7 Performance improvements made as the result of performance audit

| Statements                                                            | Mean | Standard Deviation |
|-----------------------------------------------------------------------|------|--------------------|
| 1. Performance audit made you to improve laws, rules and regulations. | 2.41 | 1.15               |
| 2. Performance audit resulted in improved economy of your performance | 2.95 | 1.11               |

|                                                                             |      |      |
|-----------------------------------------------------------------------------|------|------|
| 3. Performance audit resulted in improved efficiency of your performance    | 2.83 | 1.08 |
| 4. Performance audit resulted in improved effectiveness of your performance | 2.55 | 1.03 |
| 5. Performance audit made you establishing more reliable controls           | 2.72 | 1.03 |
| 6. Performance audit made you reducing operating costs                      | 2.65 | 0.97 |
| 7. Performance audit made you learn from your mistakes                      | 3.83 | 0.84 |
| Average mean                                                                | 2.84 |      |

Source: Survey results

As seen from the above table 4.7, the average mean result 2.84 of data analysis shows that majority of the respondents are neutral to improvements that the audited public sectors made in implementing performance audit recommendations given by the auditors. This result implies that even if the audited public sectors considered for this study have good perceptions to performance audit and performance audit recommendations made by the auditors, they made moderate performance improvements by implementing performance audit recommendations. This shows that these selected audited public sectors were average in using performance audit recommendations to improve their performances related to economy, efficiency and effectiveness. The audited public sectors did not give attentions to implement performance audit recommendations. They have not well enforced by higher government bodies like the legislatures. Majority of the respondents agree that performance audit made them learn from their mistakes with mean value of 3.83 and SD of 0.84.

#### **4.4 Role of Performance Audit on Accountability**

Activities performed by the legislature or ‘caffee’ on performance audit findings from point of view of the audited sectors, and media participation in performance audit report from viewpoint of audited sectors were also used to assess role of performance audit on accountability in the audited public sectors. Viewpoints of the audited public sectors have used here because they

themselves are specifically accountable to the decisions they made and works they performed. Related data analysis results have presented in the following tables of 4.8 and 4.9.

#### **4.4.1 Activities Performed by the Legislature or ‘Caffee’ on Performance Audit Findings from Points of View of the Audited Public Sectors**

Involvements of the regional legislature or the ‘\_caffee’ concerning to performance audit findings in the audited public sectors to influence the audited public sectors to implement the audit recommendation is important in enhancing the role of performance audit on accountability. As indicated in the literature part legislature is the main government body that makes accountability to exist in the democratic governments. Parliament needs informative and high quality audit reports to fulfill its function of ensuring that government spending complies with the parliament’s expectations and standards and that policy has been carried out effectively, efficiently and economically. On the other hand, the Office of the Auditor general of Oromia National Regional State needs the regional parliament to bring changes on enhancing accountability and holds the executives accountable to the work they perform and unless the audit findings have followed up and acted upon them the problems will persist. To perform on this in Oromia Regional State separate parliamentary committee or Public Accounts Affairs Standing Committee (PAASC) have assigned the task of dealing with the audit reports on local government accounts and performances. All of the committees involved in scrutinizing the auditor generals’ reports in audited public sectors are according to the legal framework empowered to summon officials to stand before them (conduct hearings) and all of them habitually exercise their right to do so.

Table 4.8 Activities performed by the legislature

| Statements                                                                                                                                         | Mean | Standard Deviation |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------|--------------------|
| 1. The legislature made performance audit of your office contributes stimulation of debates or discussions in ‘_caffee’ or in regional Parliament. | 4.29 | 0.98               |
| 2. Members of legislative (caffee) review and                                                                                                      | 3.73 | 1.39               |

|                                                                                                                                                              |      |      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------|
| oversee the implementation performance of your office on the recommendations in the performance audit report.                                                |      |      |
| 3. The legislature made you to accelerate (make urgent) implementation to correct the problems identified by performance auditors                            | 3.06 | 1.35 |
| 4. The legislature made creation of relationship between the political and administrative arms to accelerate follow-up on performance audit recommendations  | 2.67 | 1.20 |
| 5. You were required by the legislature or by <u>caffee</u> to have a plan for implementation of auditor's performance audit recommendations                 | 2.04 | 0.85 |
| 6. You were required by the legislature or by <u>caffee</u> to provide a written report on the implementation of auditor's performance audit recommendations | 2.19 | 0.99 |
| Average mean                                                                                                                                                 | 2.99 |      |

Source: Survey results

From the above table 4.8, data analysis of average mean result 2.99 shows that majority of the respondents indicated that audited public sectors considered for this study were average to activities performed by the legislature or caffee on performance audit findings. This shows that the legislature made moderately accountable these selected audited public sectors based on performance audit reports presented by the performance auditors. This is due to moderate attention given by the legislature to follow up or enforcing implementation of performance audit recommendations in the audited public sectors. Even if debates or discussions have made in the parliament on the findings of performance audit of the audited public sectors were very good and the review or oversee that the legislature made was good, the overall average activities of the legislature on performance audit findings were moderate.

Members of parliament (caffee) review and oversee the implementation performance the audited public sectors on the recommendations in the performance audit report as indicated in the analysis result with mean 3.73 and SD 1.39. Commonly twelve months after a report has tabled, the PAASC asks the relevant sectors what it has done to implement the Auditor-General's recommendations on the performance audit reports. The public committee did not strengthen this on the regular bases. In some cases, the parliamentary control committee did not seek further information, either in writing or by asking audited public sectors representatives to give evidence on what have done on implementing performance audit recommendations. The statistical result also show that respondents were neutral to the statement that the legislature made them to accelerate (make urgent) implementation to correct the problems identified by performance auditors with mean value of 3.06 and SD of 1.35. Simply accepting a recommendation by the audited public sectors is not in itself sufficient. It is important to ensure that it has put into effect and that the government is aware it has monitored to implement. The respondents disagree to the statement that the audited public sectors were required by the legislature or by 'caffee' to have a plan for implementation of auditor's performance audit recommendations with mean result of 2.04 and SD of 0.85. Data analysis result also show that they disagree to the statement that audited public sectors were required by the legislature or by 'caffee' to provide a written report on the implementation of auditor's performance audit recommendations with mean result of 2.19 and SD of 0.99. Reporting by these audited public sectors to the 'caffee' on implementations of performance audit recommendations provides assurance of audited public sectors' performance to public demands. These selected audited public sectors do not continuously report on progresses implementation of audit recommendations in their report. That is, in some cases the number of recommendations on-track, closed (implemented) or delayed and proposed implementation dates have not identified and reported.

The last analysis result shows that only 16% of the respondents said that the audited public sectors have required to report on the progress of implementing performance audit recommendations to the legislature (like by identifying recommendations that were fully implemented, identifying recommendations that were partially implemented, recommendations that were not implemented). On the other side 56% of the respondents said that the audited public sectors have not required to report on the progress of implementing audit recommendations to the legislature (like by identifying recommendations that were fully

implemented, identifying recommendations that were partially implemented, recommendations that were not implemented). There are also respondents in which 19% of them did not know about this issue. The rest of the respondents did not answer to this question. This implies the legislature did not continuously oversee if the audited public sectors have plan to perform on the findings of audit recommendations and did not demand written progress report regarding implementations of performance audit recommendations given by performance auditors.

#### **4.4.2 Activities Performed by the Media Concerning Performance Audit Report from Viewpoint of Audited Sectors**

Media is also the way in which the audited public sectors have influenced to be accountable to the works they performed and the resources they managed. Accountability role of the performance audit in the audited public sectors can also have insured by participation of the media in creating a debate and discussions on issues related to performance audit findings in the audited public sectors. As indicted in the literature part role of the media is very significant in enhancing accountability as they reach the people at large or wide coverage in information provision to the society.

Table 4.9 Activities of the media

| Statements                                                                                                                                             | Mean | Standard deviation |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|------|--------------------|
| 1. The media made performance audit on your office to get media coverage.                                                                              | 3.80 | 1.27               |
| 2. The media made discussion on issues indicated in the performance audit report between you (as an audited entity) and citizens as interested groups. | 2.04 | 0.99               |
| 3. The media can have access to information in the performance audit report of your office.                                                            | 3.57 | 1.01               |
| 4. The media made public the parliamentary debates and discussions on audit reports and                                                                | 3.73 | 1.06               |

|                                                                                           |      |      |
|-------------------------------------------------------------------------------------------|------|------|
| findings of your organization.                                                            |      |      |
| 5. The media enhanced the tendency that managers of your office have held to accountable. | 2.58 | 1.04 |
| 6. The media told the reality of your performance audit findings                          | 3.53 | 0.89 |
| Average mean                                                                              | 3.20 |      |

Source: Survey results

From the table 4.9 above, data analysis of average mean result 3.20 shows that majority of the respondents were neutral to the activities performed by the media concerning performance audit report from viewpoint of audited public sectors. This shows that the activities of the media were moderate and did not make strongly accountable these selected audited public sectors based on performance audit reports presented by the auditors. This could be due to less attention given by the media to identify and report on those audit recommendations that have not implemented by audited public sectors.

Some respondents agree to the statement that the media made performance audit on their office to get media coverage with mean result of 3.80 and SD 1.27. This could be when report has made to the parliament. The data analysis result show respondents disagree on the statement that the media made discussion on issues indicated in the performance audit report between them (as an audited entity) and citizens as interested groups with mean result of 2.04 and SD of 0.99. This could make auditee not to have criticized by the citizens to make the auditee more accountable. The audited public sectors agreed to the statement that the media made public the parliamentary debates and discussions on performance audit reports and findings of their public sector with mean result of 3.73 and SD of 1.06. This can contribute to accountability of the auditee to their work. The analysis result show that respondents disagree to the statement that the media enhanced the tendency that managers of their office were held to accountable with mean result of 2.58 and SD of 1.04. The study result in these selected audited public sectors shows that the media did not play good accountability role in making managers of the audited public sectors to be accountable for not implementing the performance audit recommendations.

In analyzing the effects that the media has on publicizing performance audit findings of the audited public sectors 20% of the respondents said that the media has only positive effect, 9% of

the respondents said that it has only negative effect, 56% of the respondents said that it can have both positive and negative effects. Moreover, 7% of the respondents said that it has no effect/or neutral on publicizing the performance audit findings of the audited public sectors. The rest of the respondents did not answer to this question. This shows majority of audited public sectors did not consider as purely positive to media publicizing of performance audit findings. The reason for this requires further research.

#### **4.5 Summary of the Findings**

To summarize on the above analysis, the role of performance audit on performance improvement and on accountability in the audited public sectors of Oromia National Regional State, three factors have used to assess performance improvements and two factors have used to assess on accountability role of the performance audit in these selected public sectors on which performance audit has conducted. To assess performance improvements, the factors used were perceptions of the audited public sectors on the performance audit, perceptions of the audited organizations on the auditors' performance audit recommendations, and improvements that the audited public sectors made in implementing performance audit recommendations.

To assess accountability role of the performance audit, the factors used were activities performed by the legislature or 'caffee' on performance audit findings from point of view of the audited public sectors and media participation concerning performance audit report from viewpoint of audited public sectors. On the bases of the data analysis, main points of the findings on roles of performance audit on performance improvements and on accountability have presented below.

Regarding role of performance audit on performance improvements:

Majority of the respondents agree and have good or positive perception on performance audit conducted in their own public sector. This implies that these selected audited public sectors have considered performance audit as important and helpful to improve their performance.

Majority of the respondents agree and have good or positive perceptions on the auditors' performance audit recommendations related to the performance audit conducted in their own public sectors. This implies performance audit recommendations given by the auditors were realistic, easy to understand, implement and it helps audited sectors to learn from their mistake to

improve their performance. Based on the analysis made majority of management of the audited public sectors on which performance audit had conducted did not have a plan to implement performance audit recommendations. These audited public sectors considered in this study did not give attentions in planning on, implementing and evaluating the performance audit recommendations.

As shown in the analysis majority of the respondents were neutral to improvements that the audited public sectors have made in implementing performance audit recommendations related to the performance audit made in their own public sectors. This implies that even if the audited public sectors have positive perceptions to performance audit and to performance audit recommendations, they did not implement majority of the recommendations to improve their performance.

Regarding the role of performance audit on accountability:

Majority of the respondents were neutral to activities performed by the legislature or ‘\_caffee’ on performance audit findings conducted in their own public sectors. This shows the legislature did not perform well to make accountable these selected audited public sectors based on the performance audit report or recommendations in the audit findings. The audited public sectors have not required to report on the progress work on implementing of performance audit recommendations to the legislature (like by identifying recommendations that have fully implemented, recommendations that have partially implemented or on progress, and recommendations that have not yet implemented). This implies less attention has given by the legislature in making these audited public sectors to report on progress work on implementation of performance audit recommendations to the legislature.

Majority of the respondents were neutral on activities performed by the media on the performance audit reports presented on their own public sectors. This shows the media did not perform well to make accountable these selected audited public sectors based on the audit findings in performance audit report or based on recommendations that have not implemented by the audited public sectors.

Audited public sectors were most aware of the accountability dimension of performance audit and they have held accountable by the media and by the parliamentary control committee. The

findings of this study show that the performances of legislature and the media were moderate in making accountable of the audited public sectors based on the performance audit recommendations indicated in the performance audit reports.

## CHAPTER FIFVE: Conclusions and Recommendations

This chapter has three parts; the first part presents conclusions of the study. The second part presents recommendations and the last part deals with possible future research areas.

### 5.1 Conclusions

Based on the objective of this study and data analysis, conclusions made on the role of performance audit on performance improvements and accountability on some selected audited public sectors in Oromia National Regional State have presented in the following paragraphs.

Conclusions related to the role of performance audit on performance improvement:

- Perception of the selected audited public sectors on the performance audit is good. This is the bases for performance audit works to get cooperation from the audited public sectors. Performance audit have analyzed good on how the public sectors acquire resources in an economic ways, which may include bulk purchases through bids. It analyzed the uses of resources in service delivery of the audited public sectors that wastages should have avoided as possible during public sector processes. In these audited public sectors, the performance audit work less on the effectiveness as compared to the economic and efficiency aspects in their service delivery.
- Perceptions of the audited public sectors on the auditors' performance audit recommendations are good that the performance audit recommendations were understandable and applicable. This contributes to the role that the performance audit has on performance improvements. Recommendations targeted the true source of problems on which the auditors convince and agree with the audited public sectors that help the audited sectors to take corrective measures. Management of those selected audited public sectors for this study did not have a plan to implement performance audit recommendations, which implies there is no guarantee that recommendations have changed to actions.
- Respondents were neutral to the improvements that these selected audited public sectors have made in implementing performance audit recommendations. This implies role of performance audit on performance improvements were moderate as shown from the data analysis result. Performance audit has not resulted good in improved economy, efficiency,

and effectiveness of the audited public sectors' performance even if the auditee perceive that performance audit analyzed the economic, efficiency and effectiveness aspects of their service delivery to the public. Most of the performance audit recommendations did not put into action or implemented by these selected audited public sectors.

Conclusions regarding role of the performance audit on accountability:

- Activities performed by the legislature or 'caffee' on performance audit report are moderate as shown in the analysis result. This indicates that the legislature has not perform much on the audited public sectors to accelerate (make urgent) implementation of recommendations to correct the problems identified by performance auditors. This result shows that majority those audited public sectors have not practically influenced by oversight of the legislature on timely implementation of audit recommendations. The audited public sectors were not much required by the legislature or by 'caffee' to provide a written report on implementation of auditor's performance audit recommendations to the legislature to have control over the implementation of the performance audit recommendations.
- Activities of the media on performance audit report to make accountable of the selected audited public sectors is moderate as shown in the analysis result. This shows that the media did not perform good to make the audited public sectors more accountable based on the performance audit recommendations. The media did not make good discussion on issues or findings indicated in the performance audit report between the audited entities and the citizens as interested groups. Majority of the respondents indicate that the media has not enhanced the tendency that managers of the audited public sectors have held to accountable for the work they performed and the decisions they made. The media did not work or report on recommendations that have not implemented by these selected audited public sectors.

In general, performance audit has moderate role on performance improvements and on accountability in these selected audited public sectors.

## **5.2 Recommendations**

Based on the preceding conclusions on role of performance audit on performance improvement and accountability in some selected audited public sectors of Oromia National Regional State the following recommendations have made.

Recommendations regarding performance improvements:

- More work is required to increase perception of audited public sectors on the performance audit. It requires creating awareness to these audited public sectors on objectives and uses of performance audit.
- Perceptions of the audited public sectors on the auditors' performance audit recommendations needs to be more strengthening. It is better to give training to these audited public sectors on how to understand, interpret, what to implement, and what to include in the performance audit recommendations. Managements of the audited public sectors should have a plan to implement performance audit recommendations. Based on this it should have insured that recommendations have implemented as planned.
- Audited public sectors should make further performance improvements based on performance audit recommendations. They should work more to improve the economic, efficiency, and effectiveness aspects of their performance based on performance audit recommendations provided by the auditors. Performance audit recommendations should have worked on more to put into actions or have implemented by these audited public sectors.

Recommendations regarding accountability:

- Audited public sectors should have made more accountable for the work they performed and decision they made based on performance audit recommendations. This requires the legislature or 'caffee' to work more on the audit recommendations to have implemented by the audited public sectors. The legislature should make more review and oversee if the audited public sectors implemented recommendations given by the performance auditors. The legislature should also demand more report from the audited public sectors in written on the progress work regarding implementations of performance audit recommendations given by performance auditors.
- Media participation in performance audit report requires the media to have more work to promote the accountability role of performance audit. The media should report on performance audit recommendations that have not implemented by the audited public sectors.

Overall, it has recommended that the role of performance audit on performance improvements and on accountability on the audited public sectors need enhancement.

### **5.3 Future Study Area**

First, this research has conducted on few public sectors in Oromia Bureaus found in Addis Ababa and its surrounding. To explore more empirical works of actual impacts and outcomes of performance auditing in the Ethiopian public sector in different groups of entities, such as regional governments, central government, and state and regionally owned enterprises it requires further research.

Other than the audited public sectors, other researcher can conduct the role of performance audit from the point of view of different stakeholders (auditors, parliament, media and citizen).

The impact of performance audit on the audited entities in Ethiopia and in Oromia is also another area that needs research.

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## Appendices

Appendix 1: Lists of auditees on which performance audit conducted by ONRSOAG from the year 2004-2014.

| List of auditee                                                        | Year of conduct |
|------------------------------------------------------------------------|-----------------|
| 1. Adama Municipality                                                  | 2007            |
| 2. Asella Hospital                                                     | 2004            |
| 3. Burayu Municipality                                                 | 2006            |
| 4. Bureau of Finance and Economic Development of South West Showa Zone | 2006            |
| 5. Fiche Hospital                                                      | 2010            |
| 6. Finfinne Forest Enterprise                                          | 2008            |
| 7. Oromia Agricultural Research Institute                              | 2004            |
| 8. Oromia HIV/AIDS Prevention and Control Secretariat                  | 2005            |
| 9. Oromia Irrigation development Authority                             | 2004            |
| 10. Oromia Water Resource and Energy Bureau                            | 2011            |
| 11. Oromia Road Authority                                              | 2006 and 2013   |
| 12. Oromia Environment conservation Authority                          | 2007 and 2013   |
| 13. Oromia Agriculture Bureau                                          | 2007            |
| 14. Fiche Hospital                                                     | 2010            |
| 15. Adama Hospital                                                     | 2011            |
| 16. Oromia Water and Energy Bureau                                     | 2011            |
| 17. Oromia Education Bureau                                            | 2012            |
| 18. Oromia Investment Commission                                       | 2012            |
| 19. Oromia Health Bureau                                               | 2012            |
| 20. Asella Teachers College                                            | 2013            |
| 21. Adama Technical and Vocational Training Center                     | 2013            |
| 22. Legatafo Lega dadi City Administration                             | 2011            |
| 23. Sululta City Administration                                        | 2013            |

|                                                   |      |
|---------------------------------------------------|------|
| 24. Holota City Administration                    | 2013 |
| 25. Adama City Water and Sewerage Services        | 2012 |
| 26. Bishoftu City Small and Medium Scale Industry | 2013 |
| 27. Shashamene Health Science College             | 2013 |
| 28. Oromia Forest and Wildlife Enterprise         | 2013 |
| 29. Adama City Revenue Authority                  | 2013 |
| 30. Oromia Environmental and Protection Authority | 2012 |

Source: from performance audit section

Appendix 2- Respondents profile who has responded the questionnaires

|   | Name of respondents(audited public sectors) | Number of questionnaires distributed | Number of questionnaires returned | Return rate |
|---|---------------------------------------------|--------------------------------------|-----------------------------------|-------------|
| 1 | Oromia Health Bureau                        | 7                                    | 7                                 | 100%        |
| 2 | Oromia Road Authority                       | 7                                    | 7                                 | 100%        |
| 3 | Oromia Education Bureau                     | 7                                    | 4                                 | 57%         |
| 4 | Oromia Investment Commission                | 7                                    | 3                                 | 43%         |
| 5 | Oromia Environment Conservation Bureau      | 7                                    | 2                                 | 29%         |
| 6 | Oromia Forest Enterprise                    | 7                                    | 6                                 | 86%         |
| 7 | Burayu City Municipality                    | 7                                    | 7                                 | 100%        |
| 8 | Holota City Municipality                    | 7                                    | 7                                 | 100%        |
|   | Total                                       | 56                                   | 43                                | 76.79%      |

Source: survey result

### Appendix-3: survey of employees of audited public sectors

#### **Addis Ababa University**

#### **College of Business and Economics**

#### **Department of Accounting and Finance**

#### Questionnaire for employees in the government sectors on which Performance audit were conducted

I am MSc, student in Accounting & Auditing at Addis Ababa University, College of Business and Economics. This questionnaire is required for the study entitled –Role of Performance Audit on Accountability and on Performance Improvement in the Audited Public Sectors of Oromia National Regional State“. My study is a partial requirement for the completion of master degree and it has undertaken for the academic purpose only.

This questionnaire is prepared in order to get the necessary information to undertake study on the above stated title. The purpose of the study is to assess the role of performance audit in the audited public sectors of the region. Since most of the questionnaires stated below are closed-ended type, responding them may not take much time.

Any information provided will have kept confidential. Therefore, I kindly request your esteemed cooperation for volunteer to respond the questionnaire and provide accurate and complete data.

For more information, you may make contact me by the following address:

Regassa Balli 0911140980 or Email: regassaballi@gmail.com

Thank you in advance for your time & cooperation!

**Attention:** Do not write your name.

Please **Circle** the **number** that corresponds to your answer from the available choices.

#### Part One: Profile of the respondent

1. Your gender/sex

1. Male
2. Female
2. Your age
  1. below 20 years old
  2. 20-30 years old
  3. 31-40 years old
  4. 41-50 years
  5. 51 years or above
3. Your level of education
  1. Secondary school
  2. Diploma
  3. Degree
  4. Masters
  5. PHD
4. Your work position(level) in your organization
  - 1) Top management
  - 2) Middle management
  - 3) Operational

Part Two: Performance audit in enhancing accountability and performance improvement

I. perceptions of the audited organizations on the performance audit

In this part of the questionnaire, I am interested in your opinions about performance audit. There is no right or wrong answers to any of these statements. What I would like you to do that simply read each statement as it appears. Then indicate the extent of your agreement or disagreement by circling the number that best describes your reaction to the statement: Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4) and Strongly Agree (5).

| Statements                              | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|-----------------------------------------|-------------------|----------|---------|-------|----------------|
| 1. Performance audits build or increase | 1                 | 2        | 3       | 4     | 5              |

|                                                                                                                                         |   |   |   |   |   |
|-----------------------------------------------------------------------------------------------------------------------------------------|---|---|---|---|---|
| public trust in your service delivery                                                                                                   |   |   |   |   |   |
| 2. performance audit has a controlling role                                                                                             | 1 | 2 | 3 | 4 | 5 |
| 3. performance audit analyzed the economic aspects of your service delivery                                                             | 1 | 2 | 3 | 4 | 5 |
| 4. performance audit analyze the efficiency of your service delivery                                                                    | 1 | 2 | 3 | 4 | 5 |
| 5. performance audit analyze the effectiveness of your service delivery                                                                 | 1 | 2 | 3 | 4 | 5 |
| 6. performance audit determine whether your sector programs comply with applicable laws, rules, regulations, or policies and procedures | 1 | 2 | 3 | 4 | 5 |
| 7. performance audit used as a whistle-blower function and draw your organization's attention to specific problems                      | 1 | 2 | 3 | 4 | 5 |
| 8. Performance audit contributed to the well-being, motivation and performance of your individual employee                              | 1 | 2 | 3 | 4 | 5 |

## II. perceptions of the audited organizations on the auditors' performance audit recommendations

Then indicate the extent of your agreement or disagreement by circling the number that best describes your reaction to the statement: Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), and Strongly Agree (5).

| Statements                                                                | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---------------------------------------------------------------------------|-------------------|----------|---------|-------|----------------|
| 1. The performance audit recommendations were targeted the true problems. | 1                 | 2        | 3       | 4     | 5              |

|                                                                                                                                                                                                         |   |   |   |   |   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|---|---|---|---|
| 2. The performance audit gave you recommendations that were appropriate, realistic and feasible.                                                                                                        | 1 | 2 | 3 | 4 | 5 |
| 3. The performance audit recommendations were truly reach the source of the problem                                                                                                                     | 1 | 2 | 3 | 4 | 5 |
| 4. Some the performance audit recommendations were outdated because of important changes in the internal or external environment of your organization (New rules, regulations, policies, or procedures) | 1 | 2 | 3 | 4 | 5 |
| 5. The performance audit recommendations were pointed out or show you the serious problems                                                                                                              | 1 | 2 | 3 | 4 | 5 |
| 6. The performance audit recommendations were clear.                                                                                                                                                    | 1 | 2 | 3 | 4 | 5 |
| 7. The performance audit recommendations were easy to implement                                                                                                                                         | 1 | 2 | 3 | 4 | 5 |
| 8. We had good understanding of the recommendations presented in the performance audit report                                                                                                           | 1 | 2 | 3 | 4 | 5 |

9. Did the management of your organization have a plan to implement performance audit recommendations?

- 1) Yes
- 2) No
- 3) I do not know

10. If your answer to question number 1 above is yes, did your office have adequate processes for ensuring that performance audit recommendations are implemented as planned?

- 1) Yes

- 2) No
- 3) I do not know

III. Improvements that the audited organizations made in implementing performance audit recommendations.

There are five (5) choices from strongly agree to strongly disagree. Circle only one number that relates to your choice of agreement for each statement.

| Statements                                                                  | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|-----------------------------------------------------------------------------|-------------------|----------|---------|-------|----------------|
| 1. Performance audit made you to improve laws, rules and regulations.       | 1                 | 2        | 3       | 4     | 5              |
| 2. Performance audit resulted in improved economy of your performance       | 1                 | 2        | 3       | 4     | 5              |
| 3. Performance audit resulted in improved efficiency of your performance    | 1                 | 2        | 3       | 4     | 5              |
| 4. Performance audit resulted in improved effectiveness of your performance | 1                 | 2        | 3       | 4     | 5              |
| 5. Performance audit made you establishing more reliable controls           | 1                 | 2        | 3       | 4     | 5              |
| 6. Performance audit made you reducing operating costs                      | 1                 | 2        | 3       | 4     | 5              |
| 7. Performance audit made you learn from your mistakes                      | 1                 | 2        | 3       | 4     | 5              |

IV. Activities performed by the legislature or ‘caffee’ from your point of view

There are five (5) choices from strongly agree to strongly disagree. Circle only one number that relates to your choice of agreement for each statement.

| Statements                                                                                                                                                  | Strongly<br>Disagree | Disagree | Neutral | Agree | Strongly<br>Agree |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------|---------|-------|-------------------|
| 1. The legislature made performance audit of your office contributes stimulation of debates or discussions in ‘caffee’ or in regional Parliament.           | 1                    | 2        | 3       | 4     | 5                 |
| 2. Members of legislative (caffee) review and oversee the implementation performance of your office on the recommendations in the performance audit report. | 1                    | 2        | 3       | 4     | 5                 |
| 3. The legislature made you to accelerate (make urgent )implementation to correct the problems identified by performance auditors                           | 1                    | 2        | 3       | 4     | 5                 |
| 4. The legislature made creation of relationship between the political and administrative arms to accelerate follow-up on performance audit recommendations | 1                    | 2        | 3       | 4     | 5                 |
| 5. You were required by the legislature or by ‘caffee’ to have a plan for implementation of auditor’s performance audit recommendations                     | 1                    | 2        | 3       | 4     | 5                 |
| 6. You were required by the legislature or by ‘caffee’ to provide a written report on the implementation of auditor’s performance audit recommendations     | 1                    | 2        | 3       | 4     | 5                 |

7. Is your office required to report on the progress of implementing performance audit recommendations to the legislature (like by identifying the number and types of recommendations that were fully implemented, identifying the number and types of recommendations that were partially implemented, the number and type of recommendations that were not implemented)?

- 1) Yes
- 2) No
- 3) I do not know

#### V. Media participation in performance audit report from viewpoint of audited sectors

There are five (5) choices from strongly agree to strongly disagree. Circle only one number that relates to your choice of agreement for each statement.

| Statements                                                                                                                                             | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------|---------|-------|----------------|
| 1. The media made performance audit on your office to get media coverage.                                                                              | 1                 | 2        | 3       | 4     | 5              |
| 2. The media made discussion on issues indicated in the performance audit report between you (as an audited entity) and citizens as interested groups. | 1                 | 2        | 3       | 4     | 5              |
| 3. The media can have access to information in the performance audit report of your office.                                                            | 1                 | 2        | 3       | 4     | 5              |
| 4. The media made public the parliamentary debates and discussions on audit reports and findings of your organization.                                 | 1                 | 2        | 3       | 4     | 5              |
| 5. The media enhanced the tendency that managers of your office were held to accountable.                                                              | 1                 | 2        | 3       | 4     | 5              |

|                                                                  |   |   |   |   |   |
|------------------------------------------------------------------|---|---|---|---|---|
| 6. The media told the reality of your performance audit findings | 1 | 2 | 3 | 4 | 5 |
|------------------------------------------------------------------|---|---|---|---|---|

7. In general, which is/are the effect/s that the media has in publicizing performance audit findings of your office?

- 1) Only Positive effect
- 2) Only Negative effect
- 3) Can be both positive and negative effects
- 4) No effect/or neutral

If you have additional comments:

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Thank you very much!!