

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



**Assessment of Performance Audit Effectiveness in Roads Construction**  
**Sector: A Case Study in Ethiopian Roads Authority**

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**A THESIS SUBMITTED TO GRADUATE STUDIES IN PARTIAL  
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**ADDIS ABABA**

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**APPROVED BY BOARD OF EXAMINERS**

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## **Declaration**

I, Kaleab Fekade Selassie, have carried out independently a research work on “Assessment of Performance Audit Effectiveness in Roads Construction Sector: A Case Study in Ethiopian Roads Authority” in partial fulfillment of the requirement of the MSc program in Accounting and Finance under the guidance of the research advisor.

This study is my work that has not been submitted for any program or any other institution.

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## **List of Abbreviation**

3E	Economy - Efficiency - Effectiveness
ERA	Ethiopian Roads Authority
IHA	Imperial Highway Authority
INTOSAI	International Organization of Supreme Audit Institutions
MOFEC	Ministry of Finance and Economic Cooperation
PA	Performance Auditing
PAU	Performance Auditing Unit
SAI	Supreme Audit Institution
VFM	Value for Money Auditing

## ***Abstract***

*Performance auditing is the process of obtaining and evaluating evidence of a particular entity, program, function, or activity undertake based on 3Es (efficiency, effectiveness and economy). The aim of this study is to assess performance audit effectiveness in road construction sector: a case study in Ethiopian roads authority. In order to attain the goals of the thesis used a non-probability sampling which is all in performance audit unit under study and selected twenty-nine out of twenty-nine. 29 staffs are taken as respondents from the performance audit unit and distributed questionnaire to performance auditor. The researcher used a descriptive study. SPSS was used to analyze primary data. From the findings results showed not enough performance audit staff their skill matches the scope organization operations, Management support misses providing performance auditors by encourages them to attend training, and Auditor doesn't follow up all performance audits planning stage from General Survey to Performance audit program. So to enhance its recommended that it is necessary to recruit experienced personally from particular disciplines supported the operation, Management should support performance audit by providing and facilitate continuous training Department and audit units should follow up all performance audits planning stage.*

*Keywords: Performance auditing.*

# CHAPTER ONE

## INTRODUCTION

The introduction part includes the background of the study, the background of the organization, statement of the problem, research question and objective of the study, scope and limitation of the study, research methodology significant of the study, and organization of the study.

### **1.1 Background of the study**

The construction industry is critical for the development of every nation. In any circumstance, the economic growth of any country is measured by the development of physical infrastructures like buildings, roads, and bridges. In construction projects, value for money relates to the functionality and price of the built facilities. Cost is resource is allocated spent for the project's intended purpose, On the time, take into account the ending time should be within the given time without no delay and quality is ultimate results are checked out after the utilization of resources. It should have the most effective quality of the task. Factors for ensuring value for money are transparency, accountability, competitiveness, fairness, and Efficiency (Nsiah Asare and Prempeh, 2016).

PA is used to describe a clear assurance to ensuring that the best results possible have been obtained from the money spent. The use of this term implies that concern for transparency and accountability in spending public funds and for achieving the maximum benefit from the resources available (Barnett, Chris; Barr, Julian; Christi, Angela; Duff, Belinda and Hext, Shaun, 2010).

The idea of performance auditing spread quickly among Supreme Auditing Institutions. In 1977 Ninth Congress of the global organization of Supreme Audit Institutions in Lima drew attention to performance auditing. Subsequent 20 years saw immense intellectual activity in methodology development and research within the field of performance auditing (International Organization of Supreme Audit Institutions, 2004).

In the public sector, government auditors were traditionally concerned with financial, regularity, and compliance audits. A performance audit is a recent expansion within the scope of Auditing. In line with the International Organization of Supreme Audit Institutions, (1998), a performance

audit is an audit of 3Es with which the audited entity used its resources in responsibly way. Therefore, performance auditing contributed towards the evolvement of public sector internal auditing and increasing its focus beyond mere financial and compliance Auditing (AKM Jasim Uddin, 2002).

The significance of and crucial requirement for performance auditing within the general public sector is being revealed progressively as a way to strengthen the efficacy, Efficiency, and functioning of the organization and to engender accountability (Andersson & Nilsson, 2011). The goal of auditing change is a response to public expectations and income. The general public must know that the programs or operations administered by any government sector organizations are 3Es. Public sector managers are increasingly required to demonstrate what they need to be achieved, and measures of performance are crucial to evaluating the success of state programs (Corner & Drewry, 2005).

The Ethiopian road authority, when established in 1951 as IHA, has about 650 permanent employees of which all supervisor personal, engineers and the majority of construction equipment operators and mechanics were expatriates. IHA has been renamed 3 times and substantially reformed many times by law in its history. Responsibility for construction and maintenance of road remained one autonomous authority of IHA FOR twenty-six years 1951 up to 1977. In 1980 by proclamation No 189 of 1980, the ERA WAS reform into the Ethiopian transport construction authority (ETCA) with increased responsibility in air, seaport, railways, and municipal Road. In 1990, proclamation No 26/1990, ETCA became ERA with responsibility only for road and formally responded to the ministry of construction. According to this, the power and duties of ERA stated administration and supervision of contract also maintenance of roads. ERA also established by proclamation No 63/1993 by the transitional government to provide a strong administration under the leadership of the board. In order to improve the existing situation, the ERA was again re-established by proclamation No. 80/1997 with the objective and administered highways. During its time operation, the authority has developed different Road development programs with various phases of achieving its mission and objective (Ethiopian Roads Authority Annual Magazine, 2015).

Currently, to improve transport-related infrastructures the Ethiopian government formulated a series of programs called the Roads sector development program, it has five packages, and now,

and it is under the fifth package. For a five-year development program, the total budget of this program is Br 323.3 billion allocated (Road Sector Development Program Phase 5, 2015).

Today, a performance audit has become one of the significant tasks in most developed and in some developing countries (Blessing, 1991). Per the Financial administration proclamation 648/2001 (E.C) article, No 7-sub section 1 (a) Internal audits in Ethiopia are already given mandates to undertake performance audits within the public bodies. Traditional financial and compliance audits will still play an important part; it has anticipated. However, there will be a gradual and planned growth of performance audit work (MoFED, 2004).

The effectiveness of the road program is based on the proper utilization of this vast money, and performance audit contributes more to the successful use of funds. However, Ethiopia invests nearly one-third of its budget on the road sector. Still, it is reported that there has been a gap in the efficient utilization of the financial resource, proper maintaining of business transactions, and adequately safeguard an asset of the Organization (Audit Services Corporation, 2015).

Performance auditing is described as a systematic, objective assessment of the accomplishments or processes of a particular entity program or activity to determine its effectiveness, economy, or Efficiency (Waring & Morgan, 2007) in achieving project and organizational goals. Hence, organizations seeking a appropriate quality management system need to conduct performance audits to make ensure that the system functions as intended (Lindow and Race, 2002). However, effectiveness of Performance audits depends on different factors, and understanding factors which affect the Performance audit effectiveness is one of the prerequisites to get the benefits of performance audit. Considering this, the objective of this study is to investigate performance audit effectiveness in the Roads construction sector, particularly in the Ethiopian Roads Authority.

## 1.2 Statement of Problem

The poor transport network is a considerable obstacle to economic growth. The gov't allocated a significant amount of money is from its annual budget to road sector development. However, the annual report ERA state that due to several factors, most of the road project accomplishment shown that the road not finished in a predetermined time, cost, and society does not get enough benefit from this project. Performance audit measures allocated budget to road construction be well managed efficiently, effectively, and economically. Nevertheless, there is a gap to fill in performance audit sufficient to be better ground for successful road sector development (Blessing, 1991).

Although performance auditors have many contributions and roles in the public interest of the company, it also faces the many challenges of the organization they work for. Some of the issues described by MOFED, this are in their audit manual, lack of independence, lack of management support, lack of professional audits and lack of professional development, and conflict of interest were ignored (Kaldir Hassan Odova, 2015). In addition to the above challenges, lack of strategic planning and management support, the institutional independence of auditors, adequate and effective audit staff, and approved internal audit and other factors affect the effectiveness of the audit (Mihret and Yismav, 2007). According to Nusrat, (2012) stated that conducting performance audits requires well-equipped human resources, a more extended time frame, more resources, and greater involvement of both auditor and auditee. Similarly based on (Mariaan Roos, 2011) determine that the main challenges when conducting the acceptable quantity and quality of performance audits are to seek out enough performance auditors suitably qualified to put theory into practice effectively. Moreover, Ferdousi, (2012), in his study, indicated that the challenges in the implementation phase of performance audit comprise insufficient and incompetent workforce, unable to recruit consultants when needed, lack of awareness, and absence of pre-set goals among the auditee.

Measuring impacts of performance audit show the activities from the planning and budgeting to achieving the intended results by the assurance of 3Es. This ensures that auditors take under consideration of the necessity to push improvements in performance amongst the audited entities (Performance Audit manual, 2000). However, difficulties always arise when defining objectives

of a performance audit, and defining a clear line of accountability according to the management authority is not determined or matched in the audit process.

Performance auditing in the public sector in Ethiopia is relatively new compared to financial Auditing. The audit unit ensures that the audit team has the collective professional expertise to perform the audit (Kaldir Hassan Odova, 2015). According to ISSAI (3000/63), Performance auditing needs knowledge based on deep investigation with professional values occupying a position. Specialized knowledge of the many areas to be audited might also prove essential, but advanced skills like accounting and financial Auditing do not need in performance auditing. Their performance auditing separately from financial and compliance Auditing, with selected for performance auditing having different skills and backgrounds from those chosen for the other audit streams. However, most of the auditors were formally trained as financial auditors; this leads to some confusion conducting of audits, such as a performance and special purpose audits Zendron, (2007).

Audit recommendation is essential to show the effectiveness of performance in road construction. That is by identifying bottlenecks of better road construction performance and resource management to improve the economy, efficiency, and effectiveness of road construction, which have a policy, legislative requirements, and contract agreement. The auditors have the responsibility to provide the intended users with independent, objective, and reliable information, opinions, or recommendation based on sufficient and appropriate audit evidence relating to road construction projects. Therefore, based on knowledge from the few studies conduct PA effectiveness in our country with regards to this, the research identified a limited knowledge of the PA. There is some mix-up of financial audit, particularly road construction projects sufficient research not conducted, which should need to be addressed. Based on the above fact of the researcher assessed the effectiveness of performance audits in road construction in the case of Ethiopia road authority.

### **1.3 Basic Research Questions**

The study aims to answer a question related to the effectiveness of performance auditing in road construction in Ethiopia road Authority.

The basic questions that the study attempts to explore are:

- i. Is there competent performance auditor assigned for effectiveness of Performance audit?
- ii. How does the performance auditor perceive about Performance audit objectives?
- iii. To what extent performance auditor standards applied for the effectiveness of Performance audit?
- iv. To examine the management support for the effectiveness of Performance audit?
- v. To examine the Performance auditor Independent for Performance audit effectiveness?

### **1.4 The objective of the Study**

#### **1.4.1 General Objective**

The general objective of the study is assessing performance audit effectiveness in the road construction sector: a case study in Ethiopian roads authority.

#### **1.4.2 Specific Objectives**

- i. To investigate the performance auditor competency for effectiveness of Performance audit.
- ii. To Assess perception of performance auditor about Performance audit objectives for effectiveness of Performance audit.
- iii. To investigate performance auditor standards applied for effectiveness of Performance audit.
- iv. To examine the management support for effectiveness of Performance audit.
- v. To examine the Independence of Performance auditor for effectiveness of performance audit.



## **1.5 Scope of the Study**

The study delimited to assess performance audit effectiveness in the road construction of the Ethiopian Roads Authority. The study delimit with the performance audit in Head office.

## **1.6 Significance of the Study**

The output of this study significance to guides what auditors and managers need to address the effectiveness of audits, provides suggestions on what needs to be done through the performance Audit to make the road construction project successful and this research also important for future researchers as reference material to develop a literature framework.

## **1.7 Organization of the Study**

This thesis comprises of five chapters. Chapter one includes the general introduction of the thesis that includes: background of the study, a statement of problem, research questions, and objectives of the study, significance of the study, scope, and limitation of the study. The second chapter discusses related literature from various studies are discussed. The third chapter deals with methodological issues, under which the general descriptions of the study area, the data sources, and as well as a method of data analysis, are discussed. The fourth chapter also deals with discussion and analysis based on the processed primary and secondary data of the study. Finally, the fifth chapter is dedicated to a conclusion and recommendation based on the findings of the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **Introduction**

This chapter reviews the earlier studies and literature related to Performance auditing, Empirical literature review, and chapter summary, and research gap.

#### **2.1 Theoretical framework**

##### **2.1.1 Definition of Performance Auditing (PA)**

Performance auditing does not have its roots within the kind of Auditing to the private sector. PA need for independent analyses of the economy, efficiency, and effectiveness of state programs and entity which are made on a non-recurring basis (INTOSAI, 2004). Performance audit describes the concept of economy, efficiency, and effectiveness of administrative operations (Zavelberg, 1990). However, there is less agreement on the utilization of the term performance audit. Its other names include operational PA auditing, program auditing, result auditing, comprehensive Auditing, management auditing, value for money auditing, Efficiency and effectiveness auditing (Arens, 2007; Sheldon, 1996; Nicoll, 2005; Sawyer, 1990; Parker, 1986; Pollitt, 1999). Although there are several terms and definitions, the differences between them are not significant and essentially describe an equivalent thing (Lane, 1983; Parker, 1986).

In this research, the use of “performance audit” as a form of audit is preferred given that it has been acknowledged by several international bodies such as INTOSAI<sup>7</sup> and ASOSAI<sup>8</sup>. Currently, the view offered by the INTOSAI Implementation Guide for PA Auditing is seen as the most authoritative and accurate statement regarding this issue. Also, the term has been adopted by the Indonesian supreme audit institution (Funkhouser, 2005).

As part of the auditing scheme, the process of performance auditing is relatively different from other systems, such as the financial audit. The method of performance auditing involves creativity and more of a focus on particular programs or projects in an organization. The focus of performance auditing is scrutinizing how resources are spent in an economical, efficient, and effective way (ibid).

The performance audit is an extension of financial Auditing in its procedures and purpose. Monaghan mentioned within the opening ceremony of the XXII INCOSAI in Sydney, Australia (1986) that: Performance auditing has got to be seen as complementary to financial regularity auditing and not as a substitute for it. PA intends to make awareness by the legislature and, therefore, the people of the success or otherwise of public officials in obtaining value for money in public expenditure, within the utilization of resources, and in seeking to make sure that each one due government income is collected.

Performance auditing is an approach that transcends traditional financial management (Greve & Ejersbo, 2005). There's no universally accepted definition of performance auditing amongst audit institutions throughout the globe. However, many countries have a legislative mandate for performance auditing, which identifies economy, Efficiency, and effectiveness as crucial aspects of performance auditing. An example of an operational definition, therefore, could also be stated as follows (Malan, Fountain, Arrowsmith & Lockridge, 1984): refers to the systematic process of objectively obtaining and evaluating evidence of the performance of an entity, program, function or activity. Evaluation is formed in terms of its 3E in achieving desired results, and compliance with relevant policies, laws, and regulations, to determine the degree of correspondence between performance and established criteria then communicating the results to interested users. The performance audit function provides an independent, third-party review of management's performance and also the degree to which the performance of the audited entity meets pre-stated expectations.

Besides (Parker, 1986) has mentioned that: "A performance audit is the independent examination and evaluation of the economy and efficiency of an entity's operation as well as the effectiveness of its program."

Performance auditing is often outlined in many ways. (Leo Victor Herbert, 1979) in his book, Auditing: the performance of management defines performance auditing as coming up with for, getting and evaluating adequate, relevant material, and competent proof, By an independent auditor, On the audit objective of, whether or not an entity's management or workers have or haven't accepted and carried out; acceptable accounting, control, or operational principles, policies, or standards; for effectively, utilization or economically utilization its resources, finally

from this proof on the audit objective, the auditor involves an opinion or conclusion and reports to a 3rd or management party.

Table 2.1 definitions of performance auditing

<b>Sources</b>	<b>Definition</b>
INTOSAI's Auditing Standards	The full scope of government auditing includes regularity and concerned with the inspection of economy, efficiency, and effectiveness.
MOFED (Ministry of Finance and Economic Development)	A performance audit is an audit of the examination of the economy, efficiency, and effectiveness of government programs and operation.
GAO (1994) U.S. Government Accountability Office	A performance audit is an objective and systematic examination to provide an independent assessment of the performance of a government organization, program, activity, or function to provide information to improve public accountability and facilitate decision making by parties with accountable to corrective action.
The Australian Accounting Research Foundation (2002)	A performance audit is an objective and systematic examination to supply an independent assessment of the performance of a government organization, program, activity, or function to supply information to enhance public accountability and facilitate parties with responsibility for decision making to oversee or initiate corrective action.
The American Accounting Association (1993)	The systematic and objective assessment of the performance of an organization, program, function or activity by an independent auditor, who reports findings, conclusion, and recommendations to a party or group with a legal responsibility to oversee and initiate corrective action

Based on the definitions above, it can be inferred that performance auditing in the public sector is an independent and objective assessment of operation, function, program, and management systems of a public entity to assure that the entity's objectives are carried out in an efficient, effective and economical way. It is also used as a corrective program or action. However, the focus of performance auditing on the 3E's aspect needs to be expanded. There is a need to applying some values on performance auditing activities such as involving public dialogue and considering the environmental and well-being aspects to promote better public accountability.

According to Lindbergh, (2007), auditing efficiency and effectiveness are generally described for auditing performance. Performance auditing and management auditing are other synonyms for

performance auditing, he said. However, all these terms are ways of explaining that the performance audit is restricted to verification in the public domain.

There are various ways to describe example auditing, for example in the United Kingdom it is commonly called 'value for money' auditing; In the United States, it is called Extended Scope Audit or 'Performance Audit,' and in Canada, it is also called 'Extensive Audit' & Jones & (Pendlebury, 2000). According to Douzotelle and Mackerinsky, (2008), these various terms are the most commonly used VFM audits auditing and performance auditing.

Performance auditing concerns anyone involved in the public sector; It also adds to the benefit of the services offered by politicians and government departments. This goal is achieved through the planning, reporting, and review performance of the policies and objectives achieved.

### **2.1.2 Types of Audits**

There are 2 types of auditors: internal auditor and external auditor, and there are 3 types of audit: financial, compliance, and performance audit.

- I. **Financial Audit** is carried following the provision of the Act to ensure a sound accounting and financial system so that all transactions are under proper control and authorization. Its objective is to report on the accurate and fair view of the financial statements and their compliance with all the legal and regulatory requirements (Loke, 2016).
- II. **Compliance Audit** is used to verify that all incurred expenditure has been approved and is per policies, laws, and regulations (Loke, 2016).
- III. **Performance Audit** is in ensuring public funds were managed economically, efficiently, and effectively. It determines that the government is not paying extra public money for any spending on goods or services but to achieve the established goals or objectives of a civic organization. Also, it's unique compared to financial audit and compliance audits because of its capability (Loke, 2016).

### **2.1.3 The Objectives of Performance Auditing**

According to Barzelay, (1997) the primary objective of conducting PA is to achieve performance accountability. PA results in an improvement within the responsibility of state agencies' activities and may also provide useful information for decision making (Percy, 2001; Christensen & Shaerbaek, 2005; Funkhouser, 2005; Boyne, 2002).

Based on INTOSAI, (2004) the describe PA accountability as "the systematic process conducted in government organizations and individuals also accountable for their decisions and actions, including their stewardship of fairness of public resource and many aspects of performance."

White and Hollingsworth (1999) state that the effective accountability of government spending PA entity or directorate requires that auditors establish fundamental and procedural elements. For example, technical feedback from experts in other disciplines is required. In addition, they emphasize that audit, with its professionally structured and independent information can combine the process of auditing government accountability. Christensen and Scareberker, (2005), annual audit reports may not give consumers a full understanding of the consequences of liability, and these reports focus only on financial statements without informing the various aspects of the company's operations.

In addition, there are many differences between financial audits and PAs. In a financial audit, the auditor must express an opinion as to whether there are financial statements that they claim to comply with the rules and regulations. The auditor must also determine whether the cost is used for authorized purposes and whether the budget is subject to regulatory scrutiny. However, these two types of audits are not sufficient to provide adequate accountability to public (Jones and Pendlebury, 2000). Accountability, according to these traditional financial auditing (compliance and regulatory audit) practices, does not use a comprehensive system of PAs' controls and indicators. In addition, the European Court of Auditors (2007) lists six different aspects of PA and financial audit.

In addition to traditional financial auditing, professional auditors and professionals are used when dealing with the issue of accountability for government performance in relation to efficiency, effectiveness and economy (Pendlebury and Schrem, 1990). Funkhauser (2005) states that PA is the best way added value and accountability to public services. Furthermore, he said,

without an audit, government policies and procedures cannot be assessed and, where necessary, changed to provide meaningful accountability. However, accountability by PAs is difficult because it is not easy to implement because there are three issues that need to be addressed: the independence of the auditor; The relationship between the cost and benefits of collecting information, which consumes a lot of time and effort; And finally, the difficulty in using performance indicators and performance indicators to measure performance (Connor, 1996).

PAs have many goals, but the primary goal is improve accountability in the use of public funds. This liability problem is one of the important advantages of PA in traditional auditing types.

The International Organization of Supreme Audit Institutions (2014) highlights the objectives of performance auditing in public sector. In its international conference in 1986, the XII INCOSAI11 in Sydney discussed the goals of performance auditing, which were:

- i. To identify ways of improving public sector financial management
- ii. To enhance decision-making in the public sector by providing the relevant bodies with independent and reliable information regarding revenue, expenditure and the management of resources
- iii. To improve the quality of information concerning the results of public sector management that is available to policymakers, legislators and the general community
- iv. To encourage public sector efforts to introduce reporting procedures designed to bring to notice the economy, efficiency and effectiveness with which government departments and agencies meet their responsibilities
- v. To ensure full accountability

The above statement clarifies that performance auditing as improving management practices in the public sector, and honing the accountability process of general managers.

#### **2.1.4 Performance Audit and Its Elements**

Various terms have used for audits that transcend mostly applied financial audit into matters of economy, efficiency, and effectiveness. For instance, in Canada, the term used is comprehensive Auditing, and this type of examination looks at how carefully a public entity has given attention to the economy, efficiency, and effectiveness (Leclerc, Moynagh, Boisclair, & Hanson, 1996). As per Financial Administration Audit Act (1995) of Australia (Western Australia Government),

the term performance examination has needed to talk over with the review of the Efficiency and Effectiveness of agencies and parts of agencies. In the same Act, the both terms refer to PA and VFM have used to describe same things (Leclerc, Moynagh, Boisclair, & Hanson, 1996).

INTOSAI, (2004) Auditing Standards (AS) states the following: Performance auditing cares with the audit of economy, efficiency, and effectiveness and thought of as elements of performance audit. Performance auditing has supported goals or decisions made established by the legislature. It's going to carry throughout the entire public sector (INTESAI AS). The International Standards of Supreme Audit Institution (ISSAI) 3000 defines a performance audit as an independent examination of the effectiveness and Efficiency of state undertakings, organizations and programs with due reference to economy, and therefore the aim of resulting in improvements.

The Economy of administrative activities under sound organizational principles and practices, and management policies; the economy is concerned with the following Reduction in costs through better contracting, bulk buying, etc, Reduction in costs through economies on the usage of personnel or other resources, Introduction of charges where none were previously imposed, or revision of charges and Rationalization of facilities (INTOSAI, 2004).

The Efficiency of use of human, financial and other material, including examination of data systems, performance measures, and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies Efficiency is concerned with the following: Obtaining higher outputs from the same inputs and Remedying duplication of effort or lack of coordination (INTOSAI, 2004).

The Effectiveness of performance concerning the achievement of the objectiveness of the audited entity, and audit of the actual impact of activities compared with the intended effect. Effectiveness is concerned with the following: Better identification/justification of need, Clarifying objectives and policies, Introducing better sub-objectives and targets and Better achievement of objectives by changing the nature of outputs or improved targeting (INTOSAI, 2004).

According to AFROSAI-E's (2016) The different concepts draw attention to various aspects of public activities and programmers and represent many purposes of and perspectives in the audits.



These concepts also encompass examinations addressing environmental topics, equity or efficacy, and ethics (INTOSAI, 2004).

### **2.1.5 Key Performance Indicators for Compliance with PA**

Loke (2016) and Takim and Akintoye (2007) mentioned that the building trade is taken into account to possess underperformed compared to different sectors. The essential performance is construction time, cost, quality, and shopper satisfaction with the result.

#### **i. Time**

This refers to the particular time needed to provide a deliverable, so the results of the project. Naturally, the number of your time required to supply the deliverable are directly associated with the quantity of needs that square measure a part of the end-user at the side of the quantity of resources to the project (Tomtsongas, 2011).

#### **ii. Quality**

Represents aim that the project should come through to be successful. The number of time place into individual tasks verifies the general quality of the project. Throughout an oversized project, the category will have a major influence on time and value. once concentrating upon the project processes and therefore the action of price and time objectives, product success deals with the standard of the project, final project, and therefore the quality objectives of the arrange (Tomtsongas, 2011).

#### **iii. Cost**

This means the number of cash or resources on the market. Every activity within the project includes a length and corresponding price attributes. Activity price will increase with the shortening of the amount, and therefore the length will increase if we have a tendency to decrease the activity price. In construction, the requirement to estimate the price the value the price} of quality within the project could be a vigorous task completed because the objective of accomplishing a product with smart quality isn't solely to fulfill the client's needs however conjointly to try to it with rock bottom cost (Anuar and Pohkiat, 2014).

#### **iv. Value for Money Audit Opinion**

In this case, price for cash assessment criteria, scores for each audited project were collected, and therefore the overall performance of the project was evaluated looking on the computed obtained score.

### **2.1.6 The Stages of Performance Auditing**

The literature suggests that the performance audit craft is comparatively completely different from other type audits. The stages of performance auditing other type summarized within the following stages (ASOSAI, 2000; INTOSAI, 2004).

#### **2.1.6.1 Strategic Planning**

The planning stage is conducted to define the performance audit topics. Auditors usually gather information related to performance auditing objectives such as information regarding a business entity, current issues that have a broader impact on society, and the monetary issues related to the performance audit objectives. Auditors also will develop audit criteria from many resources such as governmental policy, generally accepted standards and codes of professional practice issued by a recognized body, measures and performance indicators used by similar entities or other entities engaged in related activities, academic literature, experts, and the Supreme Audit Institution's experience itself. Also, the auditors will develop the audit scope, audit methodologies, the fieldwork program, and audit budget/resources.

There are four main stages in performance audit planning: the first stage is General survey work - to review fields of activity to develop a performance audit component for the C&AG's strategic plan for his Office. Seconded stage is marking keeping general surveys up-to-date by regular monitoring. The thread stage is state Strategic planning in the stage preparing a strategic plan, together with annual updates. the last stage performance audit planning stage is Performance audit program – assembling a program for the Office as a whole, including making arrangements for the carrying out of each audit and the monitoring of progress.

### **2.1.6.2 Field Work**

Auditors undertake some preliminary study before conducting audit fieldwork. The initial research will suggest whether the performance audit project will continue or not. In the fieldwork,

### **2.1.6.3 Performance Audit Reporting**

Performance audit reportage consists of the audit findings, criteria, and suggestions. The auditors can deliver the performance auditing report back to the audited parity, with recommendations. Within the public sector, the Audit establishment additionally provides the report back to the Parliament. The report consists of all audit activities conducted and includes the money, performance, and special purpose audits. The chairman of the Indonesian Supreme Audit establishment can deliver the audit reports to the Parliament each semester in a very formal ceremony.

### **2.1.6.4 Follow-Up Audit Processes**

Lonsdale, (2007) mentioned that the processes for handling audit recommendations conjointly take issue. Some systems square measure a lot of “watertight” than others (for example, wherever judgments square measure followed up consistently and aren't ready to be shelved while not response). There also are variations within the extent to that there's a public method the degree of involvement of legislators or politicians, the formality of rules for replying to reports (timetables for a response, expectations of agreement of the text, degree of follow-up), and needed to answer to audit findings. Elsewhere, people square measure command responsible within their name with personal liability for the funds entrusted to them.

Besides, McCrae and Vada (1997) and Pendlebury and Shriem (1991, 1990) propose that the auditor's a undertake follow up activity as the final stage of the performance audit program. The follow-up activity focuses on the recommendations that the performance auditor suggests within the report concerning the management and also the conduct of the various public sector entity. the aim of this extra activity consistent with Pendlebury and Shriem (1991, 1990) is to investigate: whether or not the recommendations recommended by the performance auditor to boost the management and also the performance of the general public sector entity are

implemented: and, if within the affirmative, to see if the recommendations improved the management and performance of the body. The follow-up activity carries the performance auditor's role in involving actions on top of associated on the far side the formation of an opinion. Therefore, it's distinguished from the part of the external money auditor. During a public sector context, the performance auditor consistently evaluates the auditor's management and management of public sector resources and also the performance of the general public sector entity (Parker & ballad maker, 1991).

### **2.1.7 The Factors Influence Performance Auditors**

There are some possibly thing to contribute the effectiveness of PA to implementing, and that they could be viewed as essential parts in conducting PA inside the organization. These are area management support, independence, and audit standards and program (Mihret & Yismaw, 2007).

#### **2.1.7.1 Independence**

PA could be a new idea for a few national as a result of several is still conducting a conventional audit. In these countries, the state requires a special legal mandate to manage the PA. This multi-disciplinary approach requires sophisticated and lengthy approaches and usually involves large-scale talent and effective judgment (Goolsarran, 2007).

A certain degree of independence is the part that the associate needs after he or she manages the PA, because creditors of national accounts cannot be assessed, but the doe's not Associate Auditor (ibid)

In some countries, a judgment audit is placed in the hands of the judiciary to ensure independence. However, in various countries affected by the City of Westminster model, the SAI is placed between the legislature and the government. However, it is not free or independent (Jones & Pendlebury, 2000).

In the recent past, many countries have undergone significant changes to allow firms the legal authority to qualify for an audit or cash audit (Bourne, 2007). (Khemakhe, 2001) states that the degree of his freelance makes him a partner in government in selecting his path, sharing government goals and providing employees with a high level of expertise so that they give credible feedback to the government in reports, comments and proposals.

The independence of state auditors from each manager and the General Assembly has many implications. Freedom from manager is plagued by problems with submission of recommendations for reporting and improvement. In addition, the General Assembly suffers from a degree of independence on whether or not the SAI receives sufficient funds to carry out its responsibilities (Gendron, Cooper & Townley, 2001).

The rise of national independence shows that they have become a powerful burden on the one hand. However, on the other hand, it is a threat, because the SAI's dismissal of its role as associate freelance examiner in the use of public funds leads to the collapse of democratic cooperation and their responsibility to assess the performance of public administration. (Jones & Pendlebury, 2000) argue that the independence of auditors should not be politically biased; But the responsibility of maintaining the presidency has to be accepted.

Additionally, (Johnson, Meklin, Oulsvirta, & Vakkuri, 2001) suggests that state agencies operate in PA for 2 reasons. The primary reason is that PA officials may have a simpler way to streamline their processes to achieve their goals. Second, PA is new in some local governments, although it provides a more rational approach to where its information can be used in certain situations. However, (Dittenhofer, 2001) suggests that auditors should not deviate from political law, otherwise, parts of their freedom may be destroyed. In addition, he emphasized that there must be an assessment of independence to ensure the quality of the audit process.

(Dittenhofer, 2001) points out that 3 things jeopardize the independence of auditors and various professionals working at the World Health Organization PA, and all have structural deficiencies related to statutory breaks. Consequently, it affects the independence of auditors.

The audit director or unit must maintain his independence in order to improve the quality of performance and improve policy decision-making, but, as auditors, he should examine governmental activities in many areas and look for any weaknesses in it must be done. Furthermore, they must satisfy the public's satisfaction in terms of guaranteeing the integrity of the entire method. The auditor should be independence to conduct PA. This independence will facilitate auditors to perform their work while not external pressure which will impair their duties (Khemakhe, 2001).

### **2.1.7.2 Management Support**

A Guide to Public Sector Audit Operations has been issued by the (Institute of Internal Auditors, 2006) and represents eight essential components of effective audit for internal and external government, and one of the most effective leadership of all.

Effective leadership is an important part of a great audit, and proper management must be effectively hired, trained and very versatile.

Furthermore, according to Andolsen, (2008), several methods are commonly used for a competent leader or manager:

- i. Start by establishing discipline and standards. The work to be completed must be kept within the established rules and regulations and the Institute of Management is required to complete the work. The issue is not about punishing workers for poor performance, but rather a reflective picture of the order and skill of the team.
- ii. Encourage and encourage. Keeping team members productive through genuine encouragement and motivation is one of the essential parts of developing a team's successes.
- iii. Communicate clear and open communication channels to the manager enables them to have an excellent operating environment and gives the team member an additional understanding of their duties and hence their work goals.
- iv. The train auditor team must be prepared to display and explain the completed work and to resolve the problems associated with the tasks. If the manager does not understand the aspects of the work that the team has to perform, it runs the risk of misleading them; therefore, a good manager should have excellent coaching.

(Silver, 2008), notes that the associate at work reflects on the quality of the relationships he or she undertakes with others at work, the most important relationship being the work and sometimes the personal life to the manager. He points out that the relationship between employees and manager is to share responsibility for performance goals, as everyone has goals they need to achieve.

Multiple Theory Area Unit that describes the relationship between managers and employees. For example, the theory seeks to associate the employee in an attempt to point out the relationship between active behavior and therefore supervisor performance analysis. The authors of this theory use each theoretical and appropriate example to show that the supervisor can rely on employee performance analysis to rely on the employee's high social positive values or the negative impact on the team (Grant, Parker, & Collins, 2009).

Negotiation between manager and auditor is a constructive and necessary way for the manager to assist the auditor in performing his or her work. Miller, Fedor. & Ramsay, (2006) examine the role of the interaction between auditor motivation and performance. They have developed and tested 3 hypotheses: the upward conflict that accompanies the audit review is the motivation of the good auditor to increase performance, the above discussion along with the audit review, the potential for an increase in the performance of the upper task; And many of the key issues that arise with audit reviews are the upper motivation for inexperienced auditors - compared to knowledgeable auditors to improve their performance. They found that despite the large interaction between discussion and knowledge, the performance of auditors had no significant effect on motivation. They provide 2 reasons for this latter invention. First, as the supervisor reports on productivity improvement, motivation is measured from an associate auditor's focus. Second, when the auditor is working under another supervisor, the performance of the audit will not be proven until later in the audit.

The manager of the associate audit department or unit has a significant impact on the auditor's work, which should encourage, motivate and motivate the auditor to discuss the work being performed.

### **2.1.7.3 Audit Standards**

The auditor must establish his own instructions and standards for the operation of the PA. Those points are intended to supply laws and standards to auditors in the public sector, but for this they must establish, act and report on performance. Ashirwad, (1991) states that government auditing standards provide a framework for defining the scope of audit work. He said the auditor should remember the standards set by the government. Auditors are not required to fully comply with auditing standards.

According to Hunt, (2009) suggests that each country has its own audit standards and exposes the North American country as a hick that does not set specific national standards, which are used to audit public accounts. The latter needs to be followed once, instead it uses a "patchwork" system so that pointers and standards can often be improved and designed as audit events.

INTOSAI publicly audits nursing as a freelance leader and issues international documents indicating permanent governance (intesai.gov). These adopt a set of guiding principles and standards that exist in the market for auditors worldwide (Blegvad, 2007).

INTOSAI seeks to enforce auditing standards and ethics among its members. The museum should be useful in establishing a code of conduct, as it contains a comprehensive description of the values and principles that are required to guide the auditor to follow the code of conduct. Auditing standards likewise provide a framework for establishing their processes and practices for conducting audits (www.intosai.org).

According to Hunt, (2009) states that auditors and audit companies must decide to regularly review and review their policies, which ultimately require the company to comply with national law and alternative regulations. However, (White and Hollingsworth, 1999) argue that, despite a substantial amount of auditing criteria, audit liabilities are, in the end, related to the decision making of the evidence they gather.

Standards and guidelines are important for auditors to perform their duties once, because they are assured that their work will be done and to a high degree. Everyone should develop their own standards and points of view, considering basic environmental and social group characteristics. Some international organizations, such as INTOSAI, act as guardians of auditing standards and facilitate the reform of national standards and guidelines. (INTOSA, 2004)

#### **2.1.7.4 Audit program**

This section describe the auditors can provide quality. The two components of the auditors' characteristics and the implementation of a quality audit program enable auditors to provide more useful information about the use of public resources in 3E.

According to (Sale, 1997), to be a competent auditor, the auditor must accept personal characteristics and abilities that are not appropriate. Finally, the auditor must have sufficient



knowledge, training and independence to perform his duties. Dittenhofer, (2001) argue that PA is similar to traditional auditing and identifies the following basic characteristics for the auditor. First, he suggests that the auditor must have the knowledge and skills to perform PA operations. Also, the auditor should have a deep understanding of government policies, procedures, accounting and audit policies. He said the auditor should have the ability to use it effectively from outside sources. In addition, the auditor must be prepared to engage in continuing educational activities. Finally, Dittenhofer, (2001) suggests that the auditor must have IT skills and knowledge that enable the auditor to use the latest technology available to the auditor.

According to Zendron, (2007), performance audit teams typically use the expertise of individuals other than professionals and qualified auditors in other non-financial sectors, for whom skepticism and parts of their work Auditors should broaden their understanding of their work by tapping into the knowledge and expertise of these others. (Pendlebury and Sharam, 1990) Non-financial professionals also affirm the notion of being experts in audit work, and their experience in decision-making and evaluation helps overcome any complex issues. It could be.

According to Percy, (2001) argued that public sector auditors need to understand the legal framework of the civic bodies they audit and that this is a good way to achieve sustainable development goals in the economy. The company offers opportunities, efficiency and effectiveness. He noted that the role is to provide performance indicators to the auditor; They can present information about the methods and costs used to achieve the best value of resource utilization.

Auditors should make arrangements to determine whether capacity, impact and economy are present and focus on key risk areas before carrying out their duties. Second, they need to identify the regulatory system within the organization and assess the importance of various projects and programs. Good honorary degrees and staff from different disciplines are needed to manage these processes (Batty & Simpson, 1989).

In addition, Price Waterhouse, (1990) found that auditing auditors should perform the following job for effectiveness:

- i. Set a clear goal for every government activity or program. This can be done by reviewing the policy objectives of the company and they can use appropriate internal control systems from the organization.
- ii. Determine appropriate performance measures and indicators that can test whether they meet government goals. It serves as a standard for identifying evidence in support of their opinion.
- iii. Create a reporting system to inform policy outcomes to leadership.
- iv. Make recommendations to improve policies and suggest improvements.
- v. Finally, manage your time well enough to perform a large number of tests that will help you assess the effectiveness of the results.

Government steering is preferred because it provides a complete picture of government performance. However, in practice, most companies prefer output steering, which gives them a narrow view of performance. Smith, (1996) declares that there is a discrepancy between the outcomes and consequences of public sector operations. The outcome reflects a particularly positive impact on public service or society. In contrast, the product only applies to the community or the size of the service rather than its effectiveness (De Brune, 2002).

The primary objective of the PA is in the audit report, which is the final stage of the audit program, which should include meaningful recommendations for improving government performance. Analysis of government activities or programs has certain advantages in terms of economy, efficiency and effectiveness. However, there are also some difficulties for auditors in providing quality audit reports. First, they must choose elaborate performance policies and maintain a narrow definition of economy, efficiency and effectiveness. Second, they need to know the rules, concepts and activities that they audit. Finally, they must remember that their role is to dictate and they must be critical of organizational performance (Rank 2007).

Role of the auditor is to act as a consultant to the organization so that it can find the best value. He said the company needs to review its performance, identify weaknesses and report on changes that need to be made (Percy, 2001).

Performance audit reports are more comprehensive and provide more data than financial statements and provide decision-based information (Johnson, 2001). (Dittenhofer, 2001) states that the government's performance audit report should be available to the public, open to the

media at the time, and provide adequate information to all levels of government. In addition, he stated that the following nine objectives should be addressed in the report: Audit objectives should be clear; the scope of audit should be managed in terms of economy, effectiveness and efficiency using internal institutional control systems, Describe the methodology used by auditors to implement results, Provide critical audit results and non-compliance and abuse data, Provide accurate, logical conclusions that highlight areas of concern, Provide recommendations based on results, Explain the responsibilities of the company and Significant achievements of the state audit list the issues that need to be addressed in future audits (Dittenhofer, 2001)

Government audit reports that describe how the government spends tax money to provide services. These types of public documents help to make the government accountable to its citizens. He suggests that government auditors are influenced by a number of reasons for collecting, assessing and reporting information. The lack of judgment to prioritize the preparation of performance audit reports is one of the primary factors that auditors find, but may also come from a combination of other factors, such as ineffective signals. Other disciplines, rules and contributions of experts are the result. The issuance of audit manuals indicates that many professional organizations are trying to reduce bias by supporting the audit process and improving the methodology of the audit procedures and good accounting practices through the framework (Palmer, 2008).

Walters and Dangol, (2006) suggest that certain behaviors affect the quality of auditing. In particular, he noted that the following issues were of concern: lack of audit functions, lack of standards to guide audit quality, lack of education for all audit parties on ethical practices, and audited service Absence.

In order for an audit team to succeed, three key elements must be remembered. First one ideas, experience and knowledge must be shared with team members and auditors and other relevant parties outside the team; however, the team's independence must be maintained at all times. Secondly, necessary and appropriate, auditors should work in groups and address audit work as a project. Third, the auditor must draw from a wide variety of backgrounds and experiences (Bourne, 2007).

The characteristics of the auditors and the impact of the audit programmer PA will be greatly affected. An auditor with a wide variety of skills and knowledge is vital to the audit team. In

addition, the audit programmer performs the duties and responsibilities of the auditor in relation to the planning, performance and reporting of the audit over a period of time (ibid).

## **2.2 Empirical Review on Performance Audit**

Researchers, educators and policy makers have been studying at different times to assess auditing performance in different fields. Previous research on performance audit, (1986), which discusses the concept and development of value for money auditing in Australia, and Liu, (1996), who is the center of concentration, also calls for a performance audit on new public management. Jacobs, (1998) found value for money audit as a regulatory tool in the New Zealand public sector. Power, (1997, 2003), discusses performance auditing improvements resulting from the audit unit. Gendron, Yves, Cooper, & Townley, (2007) focus on the development of auditing skills to measure government performance, while Palit, (2003) examines performance auditing trends and options in Western Europe. English, (2007) investigated the relationship between performance audit and public-private partnership in Australia. Other scholars have emphasized the application of the practical level of performance auditing. For example, Funnell and Wade (2012) focus on the process by which auditors and auditors in the Australian National Audit Office discuss their relationship and Morin, (2004) on the impact of performance auditing on audit managers in Canada. . In the context of Parliament, Sharma (2007) examined the role of the Public Accounts Committee on the value of money audits in the United Kingdom.

Hunt (2009) states that auditors and audit companies must regularly review and review their policies, which ultimately require the company to comply with national law and alternative regulations. However, White and Hollingsworth, (1999) argue that despite a substantial amount of auditing criteria, audit obligations are, ultimately, related to the decision-making of the evidence they have gathered.

However, even if there are several kinds of research in the area of performance auditing, as to the extent of the researcher's knowledge, in Ethiopia, there is a little study on this area, particularly the effectiveness of performance auditing. Fetu (2016) researches the Determinants of Internal Audit Effectiveness in Roads Construction Sector, Case Study in Ethiopian Roads Authority. The finding of this research proved that the existence of Audit quality, competent internal

auditors, more supports from the management, have the independence of internal audit combined with the availability of approved internal audit charters were positively and statistically significant to the internal audit in Ethiopian road authority. Therefore, Ethiopian road authority management should consider this variable as a pillar for internal audit effectiveness, and they are expected to ensure their effective implementation. The other main finding of this study is that Ethiopian road authority internal audit staff does not have full and free access to information and data on the organization. This is one of the significant obstacles for audit work to be effective; thus, the management of Ethiopian road authority should grant unrestricted access to data and information to internal audit staff, and they should take measures on those who hide information from audit work. As it is clearly articulated in the finding of this study, auditor's competency, have a positive and significant effect on internal audit effectiveness. Still, in Ethiopian road authority, internal auditors didn't take sufficient and consistent development of professional activities (such as correspondence courses and professional association different programs). Therefore, the organization should work to enhance the professional competency of its internal audit staff by letting them participates in the short term and long-term audit-related training like Financial Audit, Operational Audit, and Information Systems (IS) Audit, etc.

Yodit (2016) research the factors affecting performance audit effectiveness: in case of the office of the federal auditor general of Ethiopia. The researchers that it is explained adequate and competent professional staff plays a significant role in performance audit effectiveness; OFAG should emphasize that predictor as it influences quality. Look into several schemes which can help OFAG to get and attain adequate and competent staff, which can help it develop the right performance audit team matrix for each engagement. Oversee the implementation of recommendations stated on performance audit reports by conducting regular post-audit follow-ups. Work with the PAC committee and use them as a tool to enforce and oversee how the results of performance audits are being implemented by the audited entities. Encourage and push audited entities to submit an action plan with brief time and cost schedule that clearly shows the when and how of implantations of performance audits recommendations

Temelket (2019) research the factors determining internal audit effectiveness in Ethiopia commercial banks. The finding of this research that show that educational background of ECBs auditors, the researcher discovered that the staff as well in educational history. However, in

terms of certification, such as CIA, ACCA, there is a limitation of having this certification. Thus, the management should work closely with the internal audit department and assessing their qualification. ECBs internal audit work should be assessed externally by an independent reviewer so that internal audit adds values to the business to enhance organizational performance. Finally, the study found that in respect to independence, management support and relation with external auditors had in good conditions so that the independence, management support to auditors as well as good working relationship with external auditors should be continued so that internal audit effectiveness in ECBs could be enhanced.

Hiwot (2017) research the assessment of internal audit effectiveness in the road construction sector: a case study in Ethiopian roads authority. The finding of study shows that Management support for internal audit effectiveness was neutral. Other prominent factors indicated in the study have to be given due attention by the concerned parties in the hierarchical ladder of the organization. All necessary documents and data should be open for access to the Internal Auditors respecting the organizational independence to deliver their responsibility without interference fully. Procedures and processes need to be reviewed to check any obstacle which creates a delay in accomplishing task and device a remedial action where there are obstacles to cut down the bureaucratic procedure to a reasonable level. Necessary assistance should be given to the IA staff to accomplish their task without delay. Finally, training should be availed to the IA staff to keep up with the updates in the audit issue.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY AND DESIGN**

#### **Introduction**

This chapter describes the methodology used in the collection of data and describes the research design, study population and sampling technique, data collection methods, data analysis, and interpretation.

#### **3.1 Research Design**

The main objective of this research is to assess Performance Audit Effectiveness in Roads Construction Sector, Case Study in Ethiopian Roads Authority. To achieve this objective and the research questions, the researcher used descriptive study. The researcher intended to assess and describe the performance audit in ERA. The descriptive analysis approach was chosen for the present study because it seeks to gain insight into a phenomenon as a means of providing clarity of PA activity of the organization in an area of study. According to (Kothari, 2004), descriptive research is concerned with finding what, where, and how of a phenomenon. Descriptive surveys are used to develop a snapshot of a particular aspect of interest since they usually involve large samples, which are characteristic of this study. A quantitative approach was used to collect and analyze data on the effectiveness of a performance audit from the performance auditor of ERA. It serves to collect primary data from members of the population through questionnaires and interviews. Recommendations should be improve the situation were made based on the findings of this study.

### 3.2 Study Population and Sampling Technique

According to the Ethiopian road authority employee chart, there is 3000 staff working in the head office and 9 district offices throughout the country. Out of this 29 are performance auditors.

Table 3.1 shows a list of Ethiopian road authority performance audit staff

No	Title	No of Staff
1	Internal audit director	1
2	Internal audit team leader	2
3	Other staff	26
<b>Total Performance Auditor</b>		29

Source: ERA internal audit employee chart

The research used a non-probability sampling design for the census sampling method. Census is associate with investigation of all the individual parts that form up a population. It's a biased methodology that's helpful once some members of a population build higher subjects than others. The main objective of a census sample is to produce a sample that can be logically assumed to be representative of the population, for this study used the census method because the researcher selects only the performance auditor. The numbers of performance auditing sections staff were 29. Therefore, the total numbers of the population of the study have been 29.

### 3.3 Data Sources and Data Collection Method

The study was adopted both personal questionnaires and relented to performance audit effectiveness questionnaires are collect as primary data from all performance auditor of ERA.

Primary data was gathered from questionnaire. The surveys were administered to the performance auditor staff by the researcher to obtain quantitative data. The items in the questionnaire request the perception of the respondents regarding the performance audit effectiveness in the construction sector and also the internal audit system, perception of auditor about objective of performance audit, and its compliance with rules and regulation of organization as well as regulatory body requirements.



The questionnaire was prepared from a literature review; the model of the factors that influence auditors' work. Furthermore, an interview was conducted with the director of the PA.

The questionnaire comprised of six parts: 1) contained of questions attempt at gathering general information; (2) part describe the perception of objectives of performance auditing; (3) consist of management support; (4) describe the independence of performance audit; (5) related to PA audit standards, and (6) aim to answer Professional competency of performance audit also the respondents were allowed to provide their own opinion on PA and factors that may affect the work of auditors.

The closed-ended questionnaire was developed based on Summated Scales with five choices; "strongly agree," "agree," "neutral," "disagree," and "strongly disagree," and cumulative scales or consisting of a series of statements to respondent opinion agreement or disagreement.

An interview schedule was conducted to collect information from the performance auditor of ERA. Santyanarayana, (1993) asserts that interviews help interviewers to cover all dimensions of the investigation. The researcher interviews to collect data from performance auditors of ERA to gain a deeper understanding of the effectiveness of a performance audit.

### **3.4 Method of Data Analysis**

The collected data were processed and analyzed through the use of a statistical software package called Statistical Package for Social Sciences (SPSS) 24 versions and Microsoft excel tables; charts and percentages are used to analyze the data.

## CHAPTER FOUR

### DATA ANALYSIS, FINDINGS, AND DISCUSSION

#### Introduction

This chapter presents the analysis and results of the study as stated in the research methodology. The study results were presented to demonstrate the effectiveness of PA on the road construction sector: a case study in the Ethiopian Roads Authority. Data were collected from the Performance Audit Unit of the Ethiopian Road Authority. The researcher used the questionnaire as a data collection tool and interview to obtain relevant information. Additionally, tables, graphs, and charts are used to present the facts of the study analysis.

#### 4.1 Reliability analysis

According Field (2009) Cohen and Sayag, (2010) reliability measuring consistency of the degree to that an instrument measures an equivalent method on every occasion it's used under a similar condition with constant subjects. to hold out the reliability analysis, Cronbach's Alpha ( $\alpha$ ) is that the most typical live of scale reliability and a value greater than zero.7.00 is very acceptable and in step with Cronbach's (1951), a responsibility worth ( $\alpha$ ) larger than zero.6.00 is additionally acceptable.

**Table 4.1 Measurement of reliability (Cronbach's Alpha)**

No	Category of questionnaire	Cronbach's Alpha	No of Items
1	Perception of PA Objectives	0.824	5
2	Management Support	0.8447	5
3	Organization Independence	0.923	3
4	Audit Standards	0.925	10
5	professional competency of performance audit	0.636	4

Source: SPSS output from survey data, 2020

Based on in table 4.1, measurement of reliability (Cronbach's Alpha) Standards and Audit Quality has a higher Cronbach's alpha value (0.925). This shows reasonably good reliability in the internal consistency of the 12 questions. Organization Independence has the second higher

Cronbach's alpha value (0.923), which means it is also good reliability internal consistency of the three items. Management Support was the next very acceptable Cronbach's alpha value (0.8447), Objectives which shows acceptable Cronbach's alpha value (0.824) that data is highly reliability in internal consistency and finally professional competency of performance audit which shows acceptable Cronbach's alpha value (0.636) that information is high reliability in internal consistency

## 4.2 Response rate analysis

The study targeted twenty-nine out of twenty-nine performance, auditor it because of non-probability sampling census sampling method was used. 29 staff is taken as respondents from the performance audit unit and distributed questionnaire.

## 4.3 Demographic Characteristics of Respondents

To have a clear understanding of the result of the study, it is essential to be familiar with the demographic characteristics of the sample respondent. Then in this subsection, variables such as position, gender, educational level, a field of specialization, and work experience of the respondents in the organization were analyzed, and the information processed is summarized as follows.

**Table 4.2 position of the respondents**

		<b>Position</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Audit director	1	3.4	3.4	3.4
	Audit team leader	2	6.9	6.9	10.3
	Lead Auditor	3	10.3	10.3	20.7
	Senior Auditor	7	24.1	24.1	44.8
	Auditor	6	20.7	20.7	65.5
	Junior Auditor	6	20.7	20.7	86.2
	Other	4	13.8	13.8	100.0
	Total	29	100.0	100.0	

Source: SPSS output from survey data, 2020

As indicated in the above Table 4.2, 6 (20.7%) are Junior Auditor, 6 (20.7%) from Auditor, 7 (24.1%) of the respondent is from Senior Auditor, while 3 (10.3%) of the respondent is Lead Auditor. Moreover, 2(6.9%) and 1(3.4) of the respondent is an Audit team leader and Audit director. Besides this, 4 (13.8) of the respondent, other professionals listed above, like 2 are HR officers, and 2 are senior economists. This shows majority of the performance auditors are at junior and officer level.

**Table 4.3 Gender of the respondents**

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	18	62.1	62.1	62.1
	Female	11	37.9	37.9	100.0
	Total	29	100.0	100.0	

Source: SPSS output from survey data, 2020

As shown in the above table, 4.3 18 (62.1%) of respondents were male, whereas 11(37.9%) of them were female. The data show that majority of the performance auditors are male.

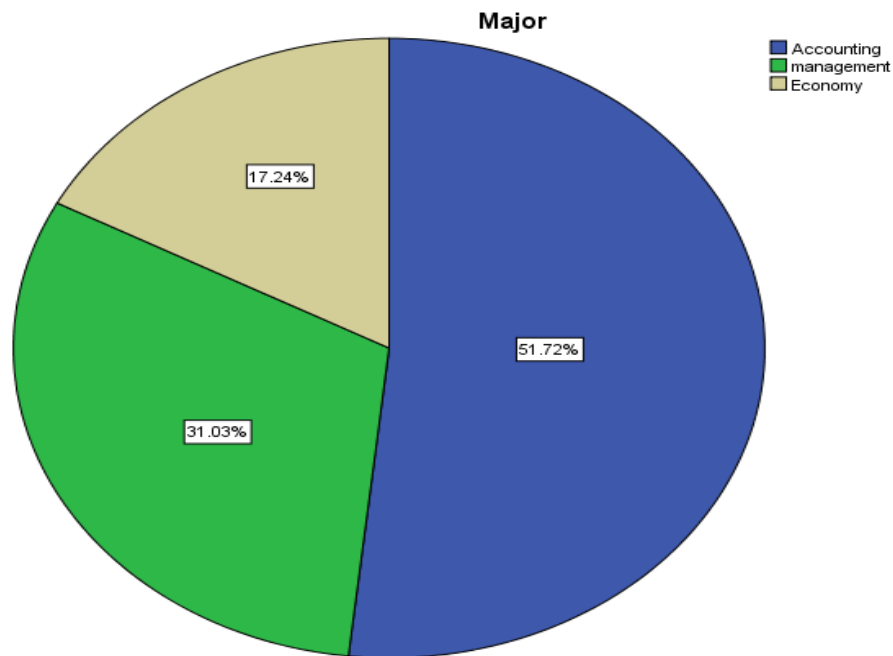
**Table 4.4 Education Level of the respondent**

Education Level					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor	27	93.1	93.1	93.1
	Master	2	6.9	6.9	100.0
	Total	29	100.0	100.0	

Source: SPSS output from survey data, 2020

In the above table, most of the respondents 27 (93.1%) have the first degree, whereas 2 (6.9%) of them have got Master. Most of performance auditor's education level is bachelor degree.

**Figure 4.1 major of respondents**



Source: SPSS output from survey data, 2020

According to the INTOSAI Guidelines on Performance Auditing (ISSAI 3100) Central Concepts for Performance Auditing, certain specific requirements must be met. Specific knowledge about the various functional areas that need to be audited may also prove necessary. However, advanced skills in auditing and financial auditing are not always required in performance auditing or program evaluation, and specialized knowledge of the various functional areas to be audited may also be required in the INTOSAI Performance Audit Guidelines (ISSAI 3000 - 3100). Is. However, performance auditing usually does not require advanced skills in accounting and financial auditing. Based on this above figure 4.1, gives a summary of the field of specialization. About 15 (51.72%) of the respondent are accounting. Furthermore, 9 (31.03%) respondents have from management. Also, 5 (17.24) of the respondents specialized in economics.

**Table: 4.5 Respondents work experience in the audit**

		<b>Experience</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 5 years	21	72.4	72.4	72.4
	Less than 10 years	7	24.1	24.1	96.6
	Less than 20 years	1	3.4	3.4	100.0
	Total	29	100.0	100.0	

Source: SPSS output from survey data, 2020

As indicated in table 4.4, 1(3.4%) of the respondents are less than 20 years of work experience in audit, 7 (24.1%) of the respondents have got Less than ten years of work experience. Moreover, the majority of the respondents, 21(72.4%), have got Less than five years of work experience. Data shows most of performance auditors are less than five years experience.

#### **4.4 Assessing Performance Audit Effectiveness**

The study sought to establish the view of the respondents regarding the determinant factors for the effectiveness of the Internal Audit Function. The finding presented as follow;

##### **4.4.1 perception of performance audit Objectives**

**Table 4.6 perception of performance audit Objectives**

	N	Mean	Std. Deviation
Performance auditing is to ensure that public resources are used based on ERA regulations and laws and contracts.	29	3.3793	1.14685
Performance auditing is to report on the economic and efficient management, control, and use of public resources in ERA	29	3.5172	1.02193
Performance auditing is to report in various departments' within organizational objectives have met or not in ERA.	29	3.6897	.96745
Performance auditing is an attempt to correct or change policy and practice in the ERA.	29	3.2759	1.16179
ERA gives the auditor the power and authority to perform performance auditing.	29	3.5172	1.08958
Valid N (listwise)	29		

Source: SPSS output from survey data, 2020

As the data shows, more than of auditors agree that the objectives of conducting Performance auditing is to ensure that public resources are used based on ERA regulations and laws and contracts (3.3793), auditors agree that the PA Performance auditing is to report on the economic and efficient management, control, and use of public resources in ERA (3.5172) and (3.6897) of auditors agree that the Performance auditing is to report in various departments' within organizational objectives have met or not in ERA.. However, the responses show that approximately (3.2759) of auditors thought that the aim of the Performance auditing is an attempt to correct or change policy and practice in the ERA. This was a point that was highlighted in the literature review: auditors cannot challenge policies that have been approved by the government while they have to give their opinion about the implementation of these policies (Price Waterhouse, 1990). This can be interpreted as an indicator that the PA auditors understand and awareness about the objectives of their unit, which might influence how they conduct their duties and tasks. However, some of the respondents are unsure and unaware of the objectives of PA, which suggests that there is some misunderstanding about PA objectives. Besides, the management of the unit states that the principal aim of conducting a performance audit is to improve and develop the performance of the government department's activities. At the same time, other goals are sub-objectives to the major one. Based on the above date, the data show as The ERA gives the auditor the power and authority to perform performance auditing (3.5172).

#### 4.4.2 Management and supervisory support

**Table 4.7 Management and supervisory support**

	N	Mean	Std. Deviation
Sufficient support from management.	29	3.1034	1.14470
Management clearly defined our job responsibilities.	29	3.6207	.94165
Management motivates as to work.	29	3.2759	.92182
Management provides continuous feedback on improving our performance at job.	29	3.1724	1.13606
Management encourages as attending training to improve our skills.	29	3.0000	1.10195
Valid N (listwise)	29		

Source: SPSS output from survey data, 2020

According to INTOSAI’s (Implementation Guidelines for Performance Auditing) A to meet the quality requirements, it is a good practice for the management to have the training and staff development programs to ensure that its Performance audit staff maintains professional proficiency through continuous education and training. A critical factor in the development process is learning through practical auditing work. Responses to questionnaires in confirm that managements’ support is neutral (average) in terms of the Sufficient support from management for the new job (3.1034), Management motivates as to work at a higher level (3.2759), and also Management provides continuous feedback on improving our performance at job (3.1724) and agreed on Management clearly defined our job responsibilities (3.6207), But, Responses to questionnaires confirm that (3.00) disagree with the Management encourages as attending training to improve our skills. The data show as management support not enough for effectiveness of performance audit.

### 4.4.3 Independence

**Table 4.8 Independence**

	N	Mean	Std. Deviation
PAs have sufficient freedom to perform performance auditing.	29	3.6897	1.07250
Feel free to any audit work for report directly to a responsible party.	29	3.7241	1.06558
Independent access to the required documents, information and data about the organization for my audit work?	29	3.5862	1.01831
Valid N (listwise)	29		

Source: SPSS output from survey data, 2020

Independence is fundamental to the reliability of auditor’s reports. Those reports would not be credible, and investors and creditors would have little confidence in them if auditors were not independent both in fact and in appearance. From the findings, most respondents agreed with the PAs have sufficient freedom to perform performance auditing (3.6897). Organizational independence means the audit of required documents, information and data, the scope of



decision-making under consideration, free access based on time and audit procedures, and work practices without any interference. Based on this the respondent replied agree with there was Feel free to any audit work for report directly to a responsible party (3.697). According to the interview response, Independent access to the required documents, information and data about the organization for my audit work (3.5862). Based on the above data performance auditors are independent and free to performer audit task in organization.

#### 4.4.4 Standards and Audit Quality

**Table 4.9 Standards and Audit Quality**

	N	Mean	Std. Deviation
accountability, duties, and authority are documented in procedures, policies and job descriptions provided by the ERA to PA	29	3.0000	1.10195
General audit activities are guided by rules, standards, teaching procedures, and so on	29	3.5517	1.02072
Established material covers audit duties such as books, instructions, manuals, standards, laws, technical and professional, etc.	29	3.5862	1.08619
The unit's guidelines or rules for planning audit work are clear.	29	3.6552	1.11085
Control systems and Standards for performance have been established in writing.	29	3.6207	1.08278
Programs or schedules are used to determine the scope of audit work.	29	3.8276	.92848
The task was routine.	29	3.7586	.95076
A good quality audit report adheres to auditing standards and complies with the code of ethics	29	3.8621	.99010
Performance audit is based on persuasive rather than evidence of conclusive evidence.	29	4.1034	.90019
A performance audit report is similar to financial audit reports.	29	3.1379	1.35552
Valid N (listwise)	29		

Source: SPSS output from survey data, 2020

From the findings most respondents undecided (neutral) with accountability, duties, and authority are documented in procedures, policies and job descriptions provided by the ERA to PA (3.0000) and agree with General audit activities are guided by rules, standards, teaching

procedures, and so on (3.5517), Established material covers audit duties such as books, instructions, manuals, standards, laws, technical and professional, etc. (3.5862), The unit's guidelines or rules for planning audit work are clear. (3.6552), Control systems and Standards for performance have been established in writing (3.6207), Programs or schedules are used to determine the scope of audit work. (3.8276), The task was routine (3.7586), and A good quality audit report adheres to auditing standards and complies with the code of ethics (3.8621). Moreover, most respondents have agreed Performance audit is based on persuasive rather than evidence of conclusive results. (4.1034) but disagreed with A performance audit report is similar to financial audit reports (3.1379).

#### 4.4.5 Professional competency of performance audit

**Table 4.10 Professional competency of performance audit**

	N	Mean	Std. Deviation
Practice PA requires training and experience.	29	3.8966	1.14470
To perform performance audit tasks, one must assist others with expertise, especially in special matters.	29	4.1379	.83342
Performance skills match the scope of operation of organization.	29	2.9655	1.14900
Is there sufficient expertise and skilled performance auditor.	29	3.0345	1.11748
Valid N (listwise)	29		

Source: SPSS output from survey data, 2020

From the findings, most respondents agree that Practice PA requires training and experience (3.8966). To perform performance audit tasks, one must assist others with expertise, especially in special matters (4.1379) but disagree with performance audit staff. Their Performance skills match the scope of operation of organization (2.9655), and disagree office has there sufficient expertise and skilled performance auditor (3.0345). The above data show most auditors skill does not Mach with the organization operation so that most of performance auditors don't competent enough to performer the audit task.

## 4.5 Summary of Findings

PA auditors understand and awareness about the objectives of Performance auditing is to ensure that public resources are used based on ERA regulations and laws and contracts, it report that activity based on the economic and efficient management, control, and use of public funds in ERA and report whether different departments' within organizational objectives have met or not in ERA. However, some of the respondents are unsure and unawareness of the goals of PA which revealed that there is misunderstanding about performance audit objectives.

The study revealed that the managements' support is neutral (average) in terms of receiving sufficient support from management for new tasks, motivates to work to a high standard, and provides continual feedback to help improve strafe performance at work. Additionally, the respondent agrees that management has clearly defined my job responsibilities. But the respondent disagrees with the management encourages to attending training to improve their skills. Management support creates added value for the effectiveness of performance audit work in road construction undertaken by era. But at the same time, it is also data revealed that the support misses providing performance auditors by encourages them to attend training courses to improve their skills and knowledge.

From the findings most respondents agreed with the performance auditor has enough independence to conduct performance auditing effectively, Feel free to any audit task for report to a responsible party and also independent access to the required documents, information and data about the organization for my audit work According to the Ethiopian internal audit proclamation, The Internal Auditor is responsible for the Ministry of Finance for administration purposes and responsible for top management (organization director) for day to day activity or operational activity. This help auditor to be independent in mind and appearance by reducing the auditor is intimidated by management or its directors to the point that they are deterred from acting objectively.

From the findings most respondents undecided (neutral) with accountability, duties, and authority are documented in procedures, policies and job descriptions given by the ERA to PA and agree with Normal audit activities are guided by standard procedures, directives, rules, there is Established material covers audit duties such as books, instructions, manuals, standards, laws,

technical and professional, etc for audit tasks, The unit's rules or guidelines for planning audit in clear, control systems and Standards of performance have been established in writing, programs and Schedules are used to identify the scope of the audit service, work is routine, and quality audit report is based in adherence of ethical code and auditing standards But disagreed with performance audit reports that are similar to financial audit reports. This show that performance auditor is work based on the standard.

The study revealed that most respondents believe that Practicing performance auditing needs a lot of experience and training, and performance audit tasks need to help from others with expertise in particular disciplines. Still, performance audit staff their skill did not match the scope of organization operations in the road sector and did not has sufficient skilled and expert performance auditors. It is because the performance audit does not need traditional auditors like accounting and management, so performance audit needs complex professional knowledge about filed to be audited.

The study revealed that there was missing to follow up on the performance audit planning stage at begging of auditing and audit panning like General survey work and marking. It because of working the traditional way rather than study organization risk area current circumstance deeply. Use of General Survey To gather the necessary information to understand the auditing organ and by assessing information to determine the risk area by identifying areas that may be subject to inspection and Marking needs to update the information contained in the overview report to reflect the change in circumstances which we should consider when planning the audit strategy.

The pervious study doesn't mention about importance of performance audit objective awareness to the effectiveness of performance audit and doesn't state about professional competency of performance auditor is related to skill of performance auditor matched with organization operational activity. In my research address, without awareness of performance audit objective there were difficult to attain performance audit task. So my research finds out there some misunderstanding about performance audit objective and also without sufficient and competent skilled performance auditor matched with organizational activity there was difficult to attain effective performance audit. So my research finds out there was not enough skilled performance auditor professional their skill matched with organization operation.

## CHAPTER FIVE

### CONCLUSIONS AND RECOMMENDATIONS

#### Introduction

This chapter presents the conclusions and recommendations of the study based on the findings, and objectives of the study.

#### 5.1 Conclusion

Performance audit is essential in the economy, efficiency, and effectiveness of administrative operations and activity done by the organization. The General objective of the study is to Assessment of performance audit effectiveness in the road construction sector: a case study in Ethiopian roads authority. To achieve this objective, the researcher sampled twenty-nine internal audit staff. Based on above findings, the study concluded the following;

- I. Some of the respondents are unsure and unaware of the objectives of PA, which suggests that there is misunderstanding about performance audit objectives, which may influence how they perform their tasks and duties. Therefore, it reduces the efficiency and effectiveness of the performance audit.
- II. Management support creates added value for the effectiveness of performance audit work in road construction undertaken by era. But data revealed that the support misses providing performance auditors by encourages them to attend training courses to improve their skills and knowledge. Performance Auditor needs support and engagement of management in fulfilling their duties. It's not enough.
- III. Duties, accountability, and authority in document of auditor job descriptions, procedures, or policies not provided to auditor from organization. This crate employer misunderstanding of their task given this also effect on the effectiveness of performance auditor
- IV. PA needs a more training, and experience related to other type audit tasks. It need help from others with expertise in particular disciplines with specific sector. But, the data show there is not enough performance audit staff. As shown in demography and response skill does not match with scope of organization operations in the road sectors and most of

the professionals are traditional performance auditor majored in accounting and management.

- V. The auditor does not follow up on all performance audits planning. General survey works up to the performance audit program. Department does not overtake the first stage of PA planning: General survey and second stage of PA planning: marking. Therefore it reduces the efficiency and effectiveness of the performance audit to get maximum output from it.

## **5.2 Recommendations**

This research aims to assess performance audit effectiveness in road construction: a case study in Ethiopian roads authority. Based on the result, the study will help to provide improved performance audit effectiveness in Ethiopian roads authority. These recommendations are believed to provide feasible solutions for the ERA

- I. ERA needs to recruit experienced personally from particular disciplines based on the operation and nature of the sector. Skill specialized in the construction industry like civil engineering and construction management, etc.... Professional needed to measure the quality of the road is related to effectiveness and the economic principle of performance auditing.
- II. Management should support to facilitate and providing training to performance auditors to keep update with audit procedure, standard, and rule.
- III. Duties, accountability, and authority in document of auditor job descriptions, procedures, or policies should be provided to auditor better families with the job.
- IV. Department or audit units should follow up all performance audit planning stages: General survey work, Marking, Strategic planning with annual plan, and finally, Performance audit program.
- V. Department should crate mechanic to aware all performance auditors about performance audit objectives.

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# APPENDICES

## Appendix 1: Questionnaire

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

I am a student at Addis Ababa University, Master of Science in accounting and finance. As a requirement for a degree, I am carrying out the study on the “Assessment of performance audit effectiveness in road construction: a case study in Ethiopian roads authority.”

I kindly request cooperation in filling out the questionnaire correctly and honestly for the accomplishment of the research work. Please answer with a Circle except for the questions which require writing the responses. I request for views on the topic, and such will be treated as confidential and for academic purposes only.

### Part 1: Personal Information

Please answer the following questions:

1. What is gender?
  - Male
  - Female
2. What is academic background?
  - Diploma
  - Master
  - Bachelor
  - Other (please state) \_\_\_\_
3. What is your graduate major?
  - Accounting
  - Economy
  - management
  - Other (please state) \_\_\_\_\_
4. How much experience do you have in auditing?
  - Less than 5 years
  - Less than 20 years
  - Less than 10 years
  - - Less than 30 years
5. What is your title position?
  - Audit director
  - Lead Auditor
  - Auditor
  - Audit team leader
  - Senior Auditor
  - Junior Auditor
  - Other (please state) \_\_\_\_\_

## Part 2: perception about Objectives of the Performance auditing

Please indicate if you agree or disagree by ticking the box closest to your opinion.

No	Statement	Strongly disagreed	Disagreed	Neutral	Agree	Strongly agree
6	Performance auditing is to ensure that public resources are used based on ERA regulations and laws and contracts.					
7	Performance auditing is to report on the economic and efficient management, control, and use of public resources in ERA.					
8	Performance auditing is to report in various departments' within organizational objectives have met or not in ERA.					
9	Performance auditing is an attempt to correct or change policy and practice in the ERA.					
10	ERA gives the auditor the power and authority to perform performance auditing.					

### Part 3: Management support

Please indicate if you agree or disagree by ticking the box closest to your opinion.

No	Statement	Strongly disagreed	disagreed	Neutral	agree	Strongly agree
12	I have enough support from management.					
13	Management clearly defined our job responsibilities.					
14	Management motivates as to work.					
15	Management provides continuous feedback on improving our performance at job.					
16	Management encourages as attending training to improve our skills.					

### Part 4: Independence

Please indicate if you agree or disagree by ticking the box closest to your opinion.

No	Statement	Strongly disagreed	disagreed	Neutral	agree	Strongly agree
11	PAs have sufficient freedom to perform performance auditing.					
12	Feel free to any audit work for report directly to a responsible party.					
13	Independent access to the required documents, information and data about the organization for my audit work.					

## Part 5: Audit Standards

Please indicate if you agree or disagree by ticking the box closest to your opinion.

No	Statement	Strongly disagreed	disagreed	Neutral	agree	Strongly agree
17	Accountability, duties, and authority are documented in procedures, policies and job descriptions provided by the ERA to PA.					
18	General audit activities are guided by rules, standards, teaching procedures, and so on.					
19	Established material covers audit duties such as books, instructions, manuals, standards, laws, technical and professional, etc.					
20	Guidelines or rules for planning audit work are clear.					
21	Control systems and Standards for performance have been established in writing.					
22	Programs or schedules are used to determine the scope of audit work.					
23	The task was routine.					
24	A good quality audit report adheres to auditing standards and complies with the code of ethics.					
25	Performance audit is based on persuasive rather than evidence of conclusive results.					
26	A performance audit report is similar to financial audit reports.					

## Part 6: Professional competency of performance audit

Please indicate whether you agree or disagree by ticking the box that closely matches your opinion.

No	Statement	Strongly disagreed	disagreed	Neutral	agree	Strongly agree
27	Practice PA requires training and experience.					
38	To perform performance audit tasks, one must assist others with expertise, especially in special matters.					
29	Performance skills match the scope of operation of organization.					
30	Is there sufficient expertise and skilled performance auditor?					

31. Can you tell us any different aspects that may affect the performance of the PA?

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32. Want to add other comments regarding PA implementation?

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**Thank for time and cooperation.**