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**IMPLEMENTATION OF AUDIT RECOMMENDATIONS: THE
CASE OF OROMIA SPECIALE ZONE SURROUNDING
FINFINNEE CITY ADMINISTRATIONS**

BY

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DEPARTMENT OF ACCOUNTING AND FINANCE

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DECLARATION

I, the undersigned, declare that this project paper is my original work, prepared under the guidance of Degefa Duressa (PhD). All sources of materials used for the project have been duly acknowledged. I also certify that the work is original and has not been submitted for any other award at any university.

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ABSTRACT

The main objective of this project is to assessing the implementation of audit recommendations in Oromia regional government public institutions. Auditors express their opinion on audit finding through audit report to concerned body in each sector and design follow up mechanism for their implementation. The study employed primary and secondary data achieved through Likert-scale type questionnaires, interviews and the study of documentary materials obtained from various resources. Simple random sampling and purposive sampling techniques were used to select respondents from the study population. The collected data were analyzed through simple descriptive statistics using percentage and tables. The study revealed that factors hindering implementation of audit recommendation include: lack of follow up actions, less concern of leaders to oversee the implementation of the recommendations, lack of clarity what actions to be undertaken, lack of audit recommendations quality and lack of competent auditee's staff. The study recommended to this situation include: developing implementation progress report system, undertaking follow up actions, appropriate training and sufficient knowledge should be provided for staffs and the government to commensurate responsibility of leaders with accountability for proper implementation of audit recommendations in public sectors of the region.

Keywords: *Audit recommendations, implementation, public institutions.*

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ACRONYMS

IIA: Institute of Internal Auditors

INTOSAI: International Organization of Supreme Audit Institutions

MOFEC: Ministry of Finance and Economic Cooperation

OAGO: Office of the Auditor General of Oromia

SPSS: Statistical Package for Social Science

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The primary functions of audit are verifying the accuracy and completeness of accounts related with revenue collection, expenditures authorization, and complete and fair presentation of financial transactions. This is why auditing is now viewed as a cornerstone of good public sector governance (IIA, 2012). Auditing is the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria. Audit is playing an important role in developing and enhancing the global economy and business firms. Auditing should be done by a competent, independent person (*Arens, et al., 2012*). The goal of auditing is to bring transparency and accountability in public or private sector. Audit serves as a tool for making public and private entities responsible and accountable for their duties. In addition, the objectives of auditing activities are to prepare a written opinion or report on the fairness of the financial statements provided and on its compliance with accounting and legal regulations or evaluate the adequacy and effectiveness of controls encompassing the organizations governance operations and internal system.

According to MOFEC, (2013), Auditing is the process in which a competent and independent person accumulates and evaluates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria.

In view of *Arens, et al., (2012)*, Auditing can be classified based on the primary audit beneficiaries into two: External Audit and Internal Audit. Both internal and external audit promote good governance through contributions to transparency and accountability for the use of public resources, as well as economy, efficiency and effectiveness in public administration. This offers opportunities for coordination and cooperation and the possibility of eliminating duplication of effort.

Auditors must raise their skills in order to increase the probability to rely more on the auditor's report and audited financial statements which are more relevant, unbiased and accurate for the

decision makers. An audit opinion is expressed on audited financial statements through audit report. Auditors express an opinion on the fairness of financial statements for the users of financial statements to gain assurance that the data are being reported, properly measured, and fairly presented. Audit recommendation is a constructively critical commentary on actions or inactions, which in the auditors' judgment hinders the accomplishment of desired objectives in an effective and efficient manner.

Audit recommendations identify risks to the successful delivery of outcomes consistent with policy and legislative requirements, and highlight actions aimed at addressing those risks, and opportunities for improving entity administration. Audit recommendations vary in scope and complexity, as a consequence the implementation task may require coordination across a range of program delivery and support functions within an entity, Australian National Audit Office (2015). Recommendations in audit reports highlight actions that are expected to improve entity performance when implemented. The appropriate and timely implementation of audit recommendations agreed by management is an important part of realizing the full benefit of an audit. Audit findings are written explanations of errors, weaknesses, deficiencies, adverse conditions, need for improvements or changes that are disclosed in an audit.

The governmental bodies play a greater role through public sectors in meeting the current increasing demand of society for public services. The public sectors could achieve this goal by assuring the existence of responsible and accountable financial and operational performance in each sector. Government audit has a significant role in strengthening accountability in the system of controlling and management of the public resource and increases credibility of the financial reports prepared by government organizations. After the overthrow of the Military regime in 1991 G.C. and the establishment of a Federal State Structure by the 1994 Constitution of Ethiopia, the whole arrangement of government auditing structure changed, and suitable to duties and responsibilities were separated in to the Federal and Regional audit institutions. Following this Law every Regional State's Council promulgated a proclamation to establish an audit office. In order to increase the confidence of the regional houses of people's representatives and the public at large the Office of the Auditor General of Oromia (OAGO) was established by proclamation number 10/1986 and revised by proclamation number 154/2002. It states that one of the powers and functions of Office of the Auditor General of

Oromia is to monitor and follow up that the principles of auditing are applied and report the performance thereof to the concerned organization.

The OAGO contributes towards performance improvements in the administration and management practices of public sector organizations. Auditing practice is one of the commonly used and crucial mechanisms of assuring the practical existence of responsible financial and operational activities in any sector.

Public sector offices are part of the public body which is partly or wholly financed by government budget and concerned with providing basic government services to the whole society (Ministry of Finance and Economic Cooperation, 2004). The public sector provides services like banking service, financing, education, communication service, healthcare, police, transportation, electric services, security and others, which benefit all of the society and encourage equal opportunity to benefit from the services (Mihret and Yismaw, 2007). The compositions of the public sectors are varied by their function and purposes, but in most cases, they are designed in order to enable the public sectors to achieve their goals. The public sector accountant has the responsibility of developing systematic arrangements to assist management in the performance of the services of the institution while the public sector auditor has among other duties, the complementary role to examine whether management actually performs that efficiently.

According to the governance brief, the starting point in looking at public sector audits is the manner in which the people are governed. Where there is a system of representative democracy and responsible government, the institutions of government and the officials and agencies of government exist to serve the interests of the public. In such a constitutional system, the parliament is the public's representative forum and it derives its ultimate legitimacy from the public on whose behalf it has been elected and acts. Parliament has the responsibility to promote the goals of openness, accountability and integrity.

The recommendations given by OAGO to auditees in order to take an action that are expected to improve entity performance when implemented and it deals with uncertain to the successful delivery of services. The implementation of audit recommendations is the last point of the audit process that realizes the attainment of audit objectives. Most of the time audit recommendations may not be implemented.

Following this introduction, the researcher attempted to assess the implementation of audit recommendations in the case of Oromia special zone surrounding Finfinnee city administrations.

1.2. Organizational back ground

Oromia Special Zone Surrounding Finfinnee is one of the zones of the Oromia Region in Ethiopia that surrounds Addis Ababa. It was created at 2008 from former Burayu Special Zone and parts of North Shewa, East Shewa, South west Shewa and West Shewa Zones. This zone is surrounding the capital of Ethiopia, Addis Ababa. The main reason for creating this special zone was to ease the co-operation and development of surrounding areas of Addis Ababa and to control the urban sprawl of this city on the lands of Oromia. The administrative center of this zone is in Addis Ababa.

As the special zone was created after the census of 2007 it's hard to find correct data about the population of zone. The estimated size of population according to 2007 census conducted by the CSA is 794,489, of which 228,420 or 28.75% were urban dwellers.

Current woredas of Oromia special zone surrounding Finfinnee are Akaki, Bereh, Burayu Town, Holeta Town, Mulo, Sebata Hawas, Sebata Town, Sendafa Town, Sululta and Walmara.

Akaki is bordered on the southwest by the Debub Mirab (Southwest) Shewa Zone, on the west by Sebata Hawas, on the northwest by Addis Ababa, on the north by the Bereh, and on the east by Misraq (East) Shewa Zone. The administrative center of this woreda is Dukem. Bereh was part of former Berehna Aleltu woreda which was separated for Aleltu and Bereh woredas and Sendafa Town. Bereh is bordered on the south by the Akaki and Misraq Shewa Zone, on the southwest by the city of Addis Ababa, on the west by Sululta, on the north by Semien Shewa Zone, and on the east by the Amhara Region. Burayu is a town and woreda in the Oromia Region of Ethiopia, located in the Special Zone Surrounding Finfinnee in the Oromo Region, directly adjacent to the national capital, Addis Ababa. Holeta Genet (also transliterated Oletta) is a town and separate woreda in central Ethiopia. Mulo was part of the former Mulona Sululta woreda. Sebata Hawas is one of the woredas in the Oromia Region of Ethiopia. Part of the Oromia Special Zone Surrounding Finfinnee, Alem Gena is on the southwest by Debub Mirab Shewa Zone, on the northwest by Walmara, on the north by Burayu, on the northeast by the city of Addis Ababa, and on the east by the Akaki. The Awash River defines this woreda's

boundary with Dehub Mirab Shewa Zone. The towns in Sebeta Hawas include Alem Gena, Awash Melka, and Tefki. The town of Sebeta was separated from this woreda. Sebeta is a town located in the Oromia Special Zone Surrounding Finfinne of the Oromia Region. Sendafa is a town and separate woreda in central Ethiopia. The town lies on the paved Addis Ababa - Adigrat highway, some 38 kilometers north of the capital. Sululta is one of the woredas in the Oromia Region of Ethiopia. It was part of former Mulona Sululta woreda which was separated for Mulo and Sululta woredas. Part of the Oromia Special Zone Surrounding Finfinne, Sululta is bordered on the south by the city of Addis Ababa, on the west by the Mulo and Mirab Shewa Zone, on the north by Semien Shewa Zone, and on the east by Bereh. Walmara is one of the woredas in the Oromia Region of Ethiopia. It is bordered on the south by the Sebeta Hawas, on the west by Mirab Shewa Zone, on the north by Mulo, on the northeast by the Sululta, and on the east by the city of Addis Ababa (accessed on Feb. 20, 2020 from WIKI LOVES AFRICA 2020).

1.3. Statement of the Problem

Auditing is an important element of the public organization's management because of the public control that grows bigger and bigger as municipalities are getting more and more responsibility (Shlomo and Idit, 2007). Audit reports should provide assurance and highlight problems with regard to the truth and fairness of the financial and operational performance (Cosserrat and Rodda, 2009). The written audit reports should communicate the results of audits to all levels of government, make the results less susceptible to misunderstanding, make the results available for public inspections, and facilitate follow-up to determine whether corrective actions have been taken (INTOSAI, 2004).

Audit recommendations identify risks to the successful delivery of outcomes consistent with policy and legislative requirements, and highlight actions aimed at addressing those risks, and opportunities for improving entity administration. Entities are responsible for the implementation of audit recommendations to which they have agreed, and the timely implementation of recommendations allows entities to realize the full benefit of audit activity (Berhanu, 2016).

The Auditor-General conducts financial and compliance audits to provide assurance to the legislatures that the various sectors of government have managed their financial affairs

according to sound financial principles; managed their financial affairs in accordance with the legal framework; and achieved their financial objectives.

The main objective of government auditing is to express opinion on financial statements and related issues of legality, regularity, and fraud as well as examining whether government institutions are operating economically, efficiently and effectively. To attain these objectives, Ethiopia has established office of the auditor general whose independence is protected by law in all regions of the country. From that auditor general, Office of the Auditor General of Oromia is the one.

Office of the Auditor General of Oromia provides audit service on yearly basis, but the outcome of the annual audit is the same every year, in other words similar financial mismanagements and irregularities are reported yearly to auditee organizations. However, there has not been any empirical evidence on what is really the cause and this research seeks to fill that gap.

In addition, Office of the Auditor General of Oromia annual reports to “Caffee Oromia” reveals that, there is a weakness in majority of the public sectors in the region to implement the audit recommendations provided by Office of the Auditor General of Oromia. The main problems discovered in the office report are fraudulent financial statements, misappropriation of assets, and ineffective utilization of public resources. Due to that Office of the Auditor General of Oromia is much concerned about whether its auditees are serious about implementations of the audit recommendations. Despite of these problems, no adequate assessment has been made on audit recommendations implementation in the region public offices.

Considering all this issues, this project was conducted to assess the implementation of audit recommendations in the public sector of Oromia.

1.4. Objective of the Study

1.4.1. General objective

The overall objective of this project was to assess implementation of audit recommendations in Oromia special zone surrounding Finfinnee city administrations.

1.4.2. Specific objectives

The study attempted to achieve the following specific objectives:

- To investigate the quality of audit recommendations of the Office of the Auditor General of Oromia;
- To assess the auditees' staff's qualification in the Oromia special Zone City administrations surrounding Finfinnee;
- To discover the audit recommendation implementation, follow up mechanisms in the region.

1.5. Research Questions

Below is an outline of major questions that the project aimed to answer:

- What are the key hindrances to implement audit recommendations in public institutions of Oromia?
- Does the quality of audit recommendations of the Office of the Auditor General of Oromia operable to implement?
- Does the auditees' staffs' qualification in the Oromia special Zone City administration fit the criteria?
- Does the audit recommendation implementation follow up mechanisms available?
- How can each major obstacle be overcome to improve the audit recommendation implementation in public institutions of Oromia?

1.6. Significance of the Study

The study helps to identify the reasons for the lack of implementing audit recommendations in the public sectors and came out with appropriate recommendations for alternative solutions. On the other hand, the findings of this study are believed to benefit in different ways a wide range of people and organizations under study by identifying the major gaps in implementation of audit recommendations.

Moreover, from the academic viewpoint, the project work has great benefit to various levels of educational institutions within and beyond Ethiopia, especially for the universities as reference

material for further studies and project work on the implementation of audit recommendations as this is an area that has not been fully explored.

1.7. Scope of the Study

The study focused on the assessment whether audit recommendations of office of the auditor general of Oromia are implemented in public institutions: the case of Oromia special zone city administration surrounding Finfinnee. The study covered the period of 2006-2010 E.C budget years only. Due to this, the study conducted only on randomly selected of Oromia special Zone City Administration surrounding Finfinnee.

1.8. Limitations of the Study

During this study, the researcher was confronted with a number of limitations/constraints. These include a shortage of funds to accommodate project expenses and lack of adequate information from the institutions related to the study. In addition, shortage of time, skill on project work and refusal of a few employees to fill the questioner were the other potential limitations of the study.

1.9. Organization of the Project

The project consists of five chapters. Chapter one is the introduction part which contains background to the study, statement of the problem, objectives, significance of the study, scope and limitations of the study, and organization of the project. Chapter two highlights the conceptual theoretical and empirical reviews. Chapter three outlines the methodology used to implement the project work. This chapter presents the research strategies followed, justification, and research design, sampling techniques, sample size, data collection instruments and methods of data analysis. Chapter four reports the analysis, discussions and the project findings. The final chapter highlights the conclusions, policy implications and recommendations arising from the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews relevant literature with focus on factors affecting audit recommendations implementation in public institutions. In specific terms, the chapter discusses the extent to which audit recommendation quality affects the implementation of audit recommendations; the staff's qualification; the audit follow - up mechanisms and also identifies gaps in the literature. Relevant literature was consulted in both theoretical and empirical aspects. And a theoretical framework has been defined to make logical sense of the relationship between the identified variables.

2.1.1 The concept of Auditing

Historically, the word 'auditing' has been derived from the Latin word 'audire' which means "to hear". In fact, such an expression conveyed the manner in which the auditing was conducted during ancient time. However, over a period of time, the manner of conducting audit has undergone revolutionary change. According to Adeniji (2010), the word audit is described as: 'the independent examination of and an expression of opinion on the financial statements of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation'.

The word auditing is defined by many scholars. Botha & Boon (2003) defined auditing as a management technique that is recognized to provide management with a general situation regarding resources utilization and other services within an organization.

According to (IIA, 2012), Auditing is the process in which a competent and independent person accumulates and evaluates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence between the quantifiable information and established criteria.

Auditing is an independent examination of accounting records with a view to ascertaining their accuracy and their compliance with relevant rules and regulations and also with the organizational policies and procedures (Akpata, 2001).

The auditing standard (2004), defined auditing as the independent examination of an expression of opinion on the financial statement of an enterprise by an appointed auditor in pursuance of that appointment and compliance with any relevant statutory obligation.

2.1.2 Audit Reporting

In view of INTOSAI, (n.d.), Auditors should prepare a report based on the conclusions reached. The audit process involves preparing a report to communicate the results of the audit to stakeholders, others responsible for governance and the general public. The purpose is also to facilitate follow-up and corrective action. In some SAIs, such as courts of audit with jurisdictional authority, this may include issuing legally binding reports or judicial decisions. Reports should be easy to understand, free from vagueness or ambiguity and complete. They should be objective and fair, only including information which is supported by sufficient and appropriate audit evidence and ensuring that findings are put into perspective and context.

The audit report should explain how the evidence obtained was used and why the resulting conclusions were drawn. This will enable it to provide the intended users with the necessary degree of confidence.

When an audit opinion is used to convey the level of assurance, the opinion should be in a standardized format. The opinion may be unmodified or modified. An unmodified opinion is used when either limited or reasonable assurance has been obtained. A modified opinion may be:

Qualified (except for) – where the auditor disagrees with, or is unable to obtain sufficient and appropriate audit evidence about, certain items in the subject matter which are, or could be, material but not pervasive;

Adverse – where the auditor, having obtained sufficient and appropriate audit evidence, concludes that deviations or misstatements, whether individually or in the aggregate, are both material and pervasive;

Disclaimed – where the auditor is unable to obtain sufficient and appropriate audit evidence due to an uncertainty or scope limitation which is both material and pervasive.

Where the opinion is modified the reasons should be put in perspective by clearly explaining, with reference to the applicable criteria, the nature and extent of the modification. Depending

on the type of audit, recommendations for corrective action and any contributing internal control deficiencies may also be included in the report.

2.1.3 Audit follow up

A follow-up process established to provide reasonable assurance that each review conducted by professionals provides optimal benefit to the enterprise by requiring that agreed-on outcomes arising from reviews are implemented in accordance with management undertakings or that management recognizes and acknowledges the risk of delaying or not implementing proposed recommendations. Follow-up focuses on whether the audited entity has adequately addressed the matters raised, including any wider implications.

The follow-up activity performed by professionals is a process by which they determine the adequacy, effectiveness and timeliness of actions taken by management on reported observations and recommendations, including those made by external auditors and others (Sameer and Youssef 2010)

2.1.4 Public-sector audit

According to INTOSAI, (n.d.), the public-sector audit environment is that in which governments and other public-sector entities exercise responsibility for the use of resources derived from taxation and other sources in the delivery of services to citizens and other recipients. These entities are accountable for their management and performance, and for the use of resources, both to those that provide the resources and to those, including citizens, who depend on the services delivered using those resources. Public-sector auditing helps to create suitable conditions and reinforce the expectation that public-sector entities and public servants will perform their functions effectively, efficiently, ethically and in accordance with the applicable laws and regulations. In general, public-sector audits can be categorized into one or more of three main types: audits of financial statements, audits of compliance with authorities and performance audits. The objectives of any given audit will determine which standards apply. The three main types of public-sector audit are defined as follows:

Financial audit focuses on determining whether an entity's financial information is presented in accordance with the applicable financial reporting and regulatory framework. This is accomplished by obtaining sufficient and appropriate audit evidence to enable the auditor to

express an opinion as to whether the financial information is free from material misstatement due to fraud or error.

Performance audit focuses on whether interventions, programmes and institutions are performing in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. Performance is examined against suitable criteria, and the causes of deviations from those criteria or other problems are analyzed. The aim is to answer key audit questions and to provide recommendations for improvement.

Compliance audit focuses on whether a particular subject matter is in compliance with authorities identified as criteria. Compliance auditing is performed by assessing whether activities, financial transactions and information are, in all material respects, in compliance with the authorities which govern the audited entity. These authorities may include rules, laws and regulations, budgetary resolutions, policy, established codes, agreed terms or the general principles governing sound public-sector financial management and the conduct of public officials.

2.1.5 The Role of Government Auditing

In view of IIA (2006), Government auditing is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources are responsibly and effectively managed to achieve intended results, auditors help government organizations achieve accountability and integrity, improve operations, and instill confidence among citizens and stakeholders. The government auditor's role combines oversight, insight, and foresight. Oversight ensures that government entities are doing what they are supposed to do and serves to detect and deter public corruption. Insight assists decision-makers by providing an independent assessment of government programs, policies, operations, and results. Foresight identifies trends and emerging challenges. Auditors use tools such as financial audits, performance audits, as well as investigation and advisory services to fulfill each of these roles.

2.2 Theoretical Review

2.2.1 Public interest theory

The theory is of the view that government is seen to be made up of individuals whose desire it is to serve the public by doing what is "right". In this context, the government becomes an

instrument that will or should improve the welfare of the society. The assumptions of this theory are that the society does not expect any unintended and unexpected consequences of government actions to arise in the course of the discharge of responsibilities. Hence, individuals in government being rational should be able to provide answers to a number of questions such as: what is the right cost of governance? Does current output correlate with level of spending, could more be achieved to improved capital projects.

2.2.2 Public administration theory

This theory indicates that indirect benefits and lack of control over investments compel taxpayers to demand more accountability for their funding, and also directs auditors to require additional assurance regarding efficiency of operations, regulatory and procedural compliance, integrity of financial records, safeguarding of assets and achievement of programmatic objectives. From agency- theory perspective, the citizens of a governmental jurisdiction usually find it more difficult than shareholders of private organizations to monitor and control the activities of public managers effectively because citizens are less cohesive and heterogeneous owners of resources than shareholders. Therefore, to counter the possibility of loss of confidence that stems from a loose ownership control structure in the public management process, public managers may be more inclined to employ internal monitoring mechanism such as internal auditing and to use the services of an audit committee or some other monitoring body (Adams, 1994).

2.2.3 The Policeman Theory

This was the most widely held theory on auditing until the 1940s (Hayes et al., 1999). An auditor's job is to focus on arithmetical accuracy and on the prevention and detection of fraud. Is an auditor responsible for discovering fraud, like a policeman? This was the most widely held theory on auditing until the 1940's. Under this theory an auditor acts as a policeman focusing on arithmetical accuracy and on prevention and detection of fraud.

However, due to its inability to explain the shift of auditing to, verification of truth and fairness of the financial statements; the theory seems to have lost much of its explanatory power. Recent financial statements have resulted to careful reconsideration of this theory. However, there is an ongoing public debate on the auditor's responsibility for detection and disclosure of fraud drawing stakeholders onto the basic public perceptions on which the theory is derived.

2.2.4 Agency theory

Agency Theory is a theory explaining the relationship between principal and agent. Such relationship is the root of economic, decision-making, sociological and social theories (Halim and Abdullah, 2006). The theory is based on the premise that agents have more information than principals and that this information asymmetry adversely results in moral hazard, and affects the principals' ability to monitor effectively whether their interests are being properly served by agents. Agency theory provides that the shareholders are regarded as the true owners of the company and they are the principals of the directors who act as their agents in running the company's affairs (Pilon 1982; Keay, 2010)

Agency theory can help to explain the actions of the various interest groups in the corporate governance debate. Examination of theories behind corporate governance provides a foundation for understanding the issue in greater depth and a link between an historical perspective and its application in modern governance standards. Historically, companies were owned and managed by the same people. For economies to grow it was necessary to find a larger number of investors to provide finance to assist in corporate expansion as discussed by Hill and Jones, (1992).

Agency theory concerns two problems related in the relationship between principle and agency. The problems, according to Eisenhardt (1989), are that agent having duty and obligation of doing work and service corresponding to the principal cannot be verified for his/her behavior appropriately and that there is risk sharing problem in dealing with the risk.

2.2.5 The theory of inspired confidence

“The normative core of the Theory of Inspired Confidence is this: the accountant is obliged to carry out his work in such way that he does not betray the expectations which he evokes in the sensible layman; and, conversely, the accountant may not arouse greater expectations than can be justified by the work done” Carmichael (1985).

Theory of Reasoned Action states that attitude is a function of one's beliefs. If a person believes that by performing certain behavior will lead to very profitable results, this attitude will encourage him to perform that behavior, and vice versa (Ajzen 1991). Based on the Theory of Reasoned Action (TRA), Ajzen, I. (1991), stated that 'intention' is the main cause of

actual behavior. Elements of 'attitudes toward behavior' and 'subjective norm' (reference group) play an important role in influencing intention.

2.3 Empirical review

As the main aim of this project is to assess whether audit recommendations of office of the Auditor General of Oromia are implemented in public institutions, different authors and researcher's idea and recommendations regarding the related topic are analyzed and presented. Some empirical studies have been done in some countries of the world. Mihret and Yismaw (2007) did a study entitled Internal Audit Effectiveness: An Ethiopian Public Sector Case Study. The study which used structured questionnaire, interview and observations as instruments of data collection discovered that certain factors such as internal audit quality, support from management, etc. strongly affect effectiveness of internal audit while organizational structure and internal auditor's attributes have less impact on the same variable.

Failure by the management to respond to internal audit findings and recommendations impacts negatively on the internal audit staff attitude towards improvement of audit quality, their commitment to develop their career in the public sector internal audit functions and their overall job satisfaction.

Australian National Audit Office (2015) states that "auditors are supposed review how programs are being carried out and how activities are managed". They further declare that "this affords excellent opportunities to make recommendations to management that improves their ongoing programs, conserve resources, provide better customer service and ultimately provide the taxpayers expect". Conversely Australian National Audit Office (2015) argues that auditors can provide poor quality recommendations which are nonspecific, unconvincing, imprecise, negative in tone and content, non-feasible and insignificant with no response to underlying causes of the problems.

In a study carried out by Chandler (2014) audit recommendation is a constructively critical commentary on actions or inactions, which in the auditors' judgment hinder the accomplishment of desired objectives in an effective and efficient manner.

Moreover, Cohen & Sayag (2014) assert that for the recommendations made by the internal auditor to be implemented they must be of great quality. In contrary MacRaue & Gills (2014)

argued that implementation is not guaranteed when follow ups are done but rather when management appreciates the internal audit team, they can implement without follow up action.

International Monetary Fund (2010) agreed that public sectors do not have the financial capability to attract and retain qualified staff necessary for the implementation of its recommendations which may brought up the risks (fraud risks, credit risks, reputational risks and obsolescence risks) relevant to implementation of recommendations. In addition, Australian National Audit Office (2015) highlighted that “lack of funding hampered the recruitment of key personnel and frequently caused delays in implementing audit recommendations especially where new investments were required”.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the project methodology that was used to carry out the study. Designing a sound project methodology is an important component of project activity in establishing logical link between data collection, data analysis and conclusions to be drawn based on key project findings. In addition, this chapter includes detail information of the research design, sampling technique, data collection instruments and data analysis package.

3.2 Research Design

Research design is the conceptual structure within which research is conducted; it constitutes the blueprint (action plan) for collection, measurement and analysis of data. It is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the project purpose with economy in procedure. Research design refers to the plan for undertaking the study especially obtaining samples from a given population including techniques or the procedure that would be adopted. In this study descriptive research method was employed. Both primary and secondary data were used to produce project report. The primary data was collected through well structured, clear and well stated investigative questionnaire which was distributed to selected Oromia special Zone City Administration surrounding Finfinnee and Office of the Auditor General of Oromia, whereas secondary data from Office of the Auditor General of Oromia annual reports and published documents of selected sample organizations.

3.3 Target Population and Sampling Design

3.3.1 Target population

In research methods, population is the entire aggregation of items from which samples can be drawn. The target population is a group of people or organization or any other entities that the researcher is attempting to make a valid inference and generalization about. Defining the population is the first step in designing the sample (Creswell, 2009). A population implies the

overall collection of elements about which one needs to make inference (Cooper and Schindler, 2006). The target populations for this study were Oromia special Zone City Administration surrounding Finfinnee.

3.3.2 Sampling design

3.3.2.1 Sampling frame

Sampling refers to the way of selecting some part of the group (population) to represent the entire group or population of concern (Saunders and Thornhill, 2000). Sampling is considered appropriate in reducing the length of time required to conclude the research study, it also cuts costs and it is considered as manageable. The sample is, however, just a reflection of the overall population. According to Malhotra and Birks (2007), application of sampling enables a higher overall precision than a census. Collecting data from selected fewer cases imply that the researcher can collect the necessary information that is also more exhaustive.

3.3.2.2 Sampling techniques and sample size

A sample is a representative part of a population. Thus, by studying the sample, one can be able to know more about the population without having to study the entire population. In order to achieve the objectives of this project, sampling technique is the way in which the sample units are going to be chosen. Sampling theory is a study of relationships existing between a population and samples drawn from the population. Basically, sampling methods can be categorized into probability sampling and non-probability sampling. Probability sampling is a technique in which every unit in the population has a chance (non-zero probability) of being selected in the sample, and this chance can be accurately determined. Non-probability sampling is a sampling technique in which some units of the population have zero chance of selection and/or where the probability of selection cannot be accurately determined. This project used probability sampling. The institutions participated in the survey were selected using a Simple random sampling technique to allow each organization to have an equal and independent chance of being selected. The researcher minimizes its study area by focusing only on six organizations that was selected from public sector institutions that are expected to be used as a representative of other sectors. Individual respondents of the questionnaire were selected purposively. Purposive sampling is used for situations where the researchers needs to reach a targeted sample quickly and where sampling for proportionality is not the primary

concern. Those were Head of Finance and Economic Cooperation, Finance Director, Accountant, Internal Audit Head, senior internal audit and Deputy Auditor General of Oromia from each organization to get appropriate information about the issue.

3.4 Data Collection Instruments

To get relevant and reliable data which helps to achieve the stated project objective, the study used both qualitative and quantitative data. With regards to instrument for data collection, the researcher employed questionnaires, unstructured record review to collect manuals, annual reports, directives, and policies to collect relevant data from respondents of the institutions under study. Data were collected from both primary and secondary source. Primary data collected by means of questionnaires which were distributed to Head of Finance and Economic Cooperation, Finance Director, Accountant, Internal Audit Head, senior internal audit and Deputy Auditor General of Oromia from each organization and it included both closed and open-ended questions in order to provide the possibility to express opinions freely as well as useful framework for answers. The administration of the questionnaire took place by “drop and pick” method that allows respondents enough time to complete the questionnaire.

Moreover, the questionnaires are in the form of Likert-Scale type that shows respondents agreement or disagreement by constructing into five-point scale where five represent strongly disagree and the one represents strongly agree. The questionnaires were adopted and modified from the prior author and literature review of Aikins, S. K. (2012) and *Wadesango, et al., (2012)*

3.5 Techniques of data Analysis and interpretation

Data analysis is all about examining, categorizing, tabulating, and recombining the data collected, to address the initial objective of a study (Yin, 2003). In this study, the researcher employed descriptive statistics were used to analyze data, percentages and proportions were applied to analyze the implementation of audit recommendation from 2006-2010 E.C on the data collected through questionnaires. The questionnaire data checked for completeness, accuracy and pretested in advance. Then after the questionnaire coded according to each variable to ensure that the error margin is minimized and assure accuracy during analysis. The collected quantitative data were processed by the use of Statistical Package for Social Science (SPSS) version 20. The processed data were analyzed using qualitative methods; namely

descriptive analysis involves a procedure of transforming raw data into charts, tables, with frequency distribution and percentages, which are a crucial part of interpreting and making sense (logic) of the data.

3.6 Ethical Consideration

In conducting this project paper, the researcher evaded any act that might jeopardize security of an informant, and respondent anonymity maintained throughout the research process. Also, before distributing the questionnaires, the objective of the study explained adequately to each informant, and his/her consent duly sought in advance.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATIONS AND ANALYSIS

4.1 Introduction

As indicated in the previous chapter, the main attempt of this study is to assess the implementation of audit recommendations in Oromia special zone surrounding Finfinnee city administrations. Therefore, this chapter presents the analysis and discussions for research findings obtained from the questionnaires, reports the assessment results obtained from respondents of the public sector offices covered in the questionnaire. The discussion begins with the questionnaires' response rate followed by the descriptive statistics of the respondents related questions; like the gender, age, profession, and level of education. Wherever applicable, tables, charts and figures are provided to illustrate and support the findings. In the analysis of the data the research questions raised, frequency and percentage tables based on the likert scale type questionnaires were constructed.

Qualitative and Quantitative analysis was used as data analysis technique. Primarily the data was collected through the questionnaires and analyzed by using descriptive statistics for responses to be obtained by using likert scale method, open-ended and closed questions and then tabulated, coded and analyzed to present the research findings. Analysis of the data was based on the competence, Audit recommendation quality, and audit follow up.

4.1.1 Response Rate

The questionnaires were distributed to the Head of Finance and Economic Cooperation, Finance Director, Accountant, Internal Audit Head, senior internal audit and Deputy Auditor General of Oromia of seven purposively selected Oromia special zone surrounding Finfinnee city administrations.

Five questionnaires (a total of 31 questions) were delivered to each public sector. From the distributed of 31 questionnaires, 29 questionnaires were collected (six responses from finance directors, six accountants, six audit directors, six from senior internal auditor, four from Head of finance and economic cooperation and one Deputy Auditor General of Oromia). The response rate of the administered questionnaire is therefore 93.5% which was satisfactory to

make conclusions for the study. Weisberg, Krosnick & Bowen (1996) recommended a response rate of 70%.

4.1.2 Demographic characteristics

According to the results indicated in Table 1 below, a highly visible characteristic of respondents is presented in terms of gender composition (21 males and 8 females, i.e. 72% and 28% respectively). This indicates that high status of jobs in the selected public sectors are male-dominated.

Table 1 Respondents gender Profile

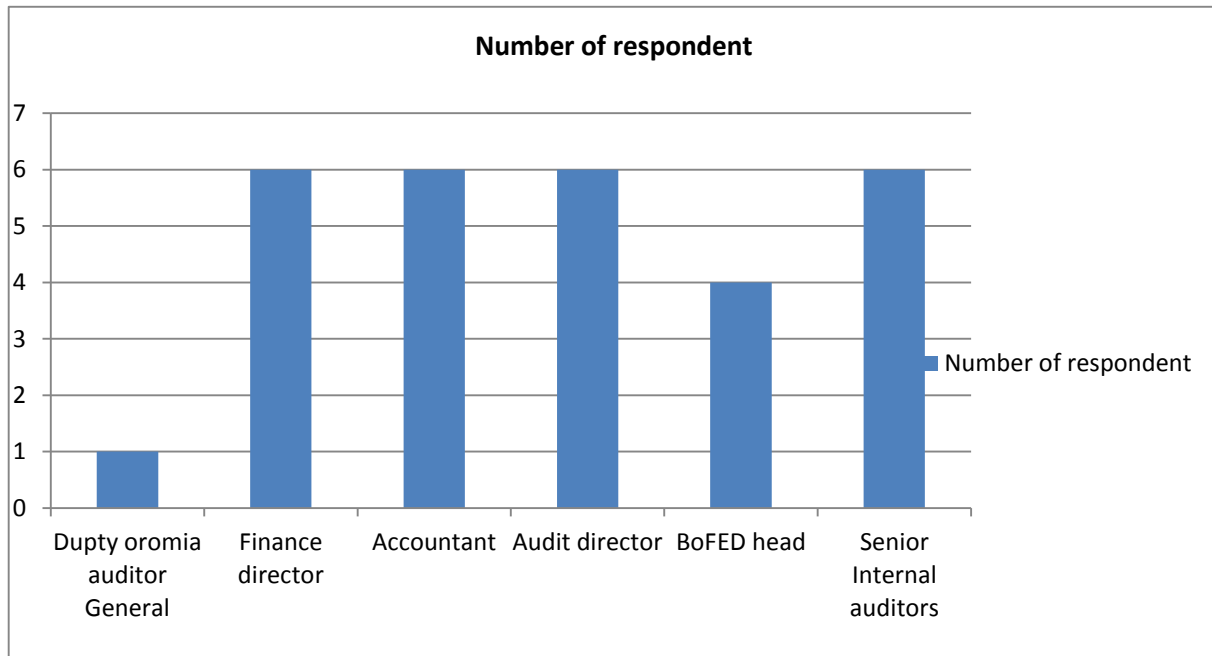
| Demographic Questions | | Response | | | | | | | | | | | | Total | |
|-----------------------|--------------|--------------|-----|------------------|-----|-----------------|-----|-------------|-----|----------------------------------|-----|------------------|-----|-------|-----|
| | | Head of BFEC | | Finance Director | | Audit directors | | accountants | | Deputy auditor General of Oromia | | Senior I/auditor | | | |
| | | Frequency | % | Frequency | % | Frequency | % | Frequency | % | Frequency | % | Frequency | % | | |
| Gender | Male | 3 | 75 | 4 | 67 | 5 | 83 | 4 | 67 | 1 | 100 | 4 | 67 | 21 | 72 |
| | Female | 1 | 25 | 2 | 33 | 1 | 17 | 2 | 33 | | | 2 | 33 | 8 | 28 |
| | Total | 4 | 100 | 6 | 100 | 6 | 100 | 6 | 100 | 1 | 100 | 6 | 100 | 29 | 100 |

Source: SPSS output from Survey data, 2019

4.1.3 Socio-economic status of respondents

The following chart shows that the responses of the 29 of the total respondents except Head of Finance and Economic Cooperation.

Figure 1 Number of Respondents for the available level of position



Source: SPSS output from Survey data, 2019

As shown below in Table 2, the study requested the respondents to indicate their highest level of academic education. From the findings it was established that 69% of the respondent indicated their highest level as degree, and 31% of the respondent indicated their highest level as post graduate. This is an indication that most of the respondents focused in this study had university degrees as their highest level of education. These shows majorities of the respondents were educated and can contribute more for the effectiveness of their intended work. It is also believed to provide more trustworthy information for this study.

In terms of the level of educational background, five (83%) of audit directors and four (67%) of senior internal auditors have bachelor's degree. These shows that the majorities of the respondents have bachelor degree which enables them to provide more reliable information for this study and enable the respondents to have idea of the implementation of audit recommendation.

Whereas, majority of Finance directors and accountants have bachelor's degree four respondents (67%) and five respondents (83%) respectively followed by two respondents 33%) finance directors and one respondent (17%) accountant holder of master's degree.

Table 2 Educational background

| Educational level | Response | | | | | | | | | | | | Total | |
|-------------------|------------|-----|------------------|-----|-----------------|-----|-------------|-----|----------------------------------|-----|------------------|-----|-----------|-----|
| | BOFEC Head | | Finance Director | | Audit directors | | accountants | | Deputy auditor General of Oromia | | Senior I/auditor | | | |
| | Frequency | % | Frequency | % | Frequency | % | Frequency | % | Frequency | % | Frequency | % | Frequency | % |
| Diploma | | | | | | | | | | | | | | |
| Bachelor's Degree | 2 | 50 | 4 | 67 | 5 | 83 | 5 | 83 | | | 4 | 67 | 20 | 69 |
| Master's Degree | 2 | 50 | 2 | 33 | 1 | 17 | 1 | 17 | 1 | 100 | 2 | 33 | 9 | 31 |
| Total | 4 | 100 | 6 | 100 | 6 | 100 | 6 | 100 | 1 | 100 | 6 | 100 | 29 | 100 |

Source: SPSS output from Survey data, 2019

In terms of work experience, 24 respondents (82.76%) had more than ten years, four respondents (13.79%) had six to ten years, and one respondent (3.45%) had three to five years' work experience in their current organization. The study revealed that most of the respondents (96.55%) had more than six years work experiences. These shows that most of the respondents had enough work experiences to provide more trustworthy information for this study

Table 3 Experience of respondents

| Years of experience | Response | | | | | | | | | | | | Total | |
|---------------------|------------|-----|------------------|-----|-----------------|-----|-------------|-----|----------------------------------|-----|------------------|-----|-----------|-----|
| | BOFEC Head | | Finance Director | | Audit directors | | accountants | | Deputy auditor General of Oromia | | Senior I/auditor | | | |
| | Frequency | % | Frequency | % | Frequency | % | Frequency | % | Frequency | % | Frequency | % | Frequency | % |
| 1-2 | | | | | | | | | | | | | | |
| 3-5 | | | | | | | 1 | 16 | | | | | 1 | 3 |
| 6-10 | | | | | | | 2 | 34 | | | 2 | 33 | 4 | 14 |
| More than 10 years | 4 | 100 | 6 | 100 | 6 | 100 | 3 | 50 | 1 | 100 | 4 | 67 | 24 | 83 |
| | 4 | 100 | 6 | 100 | 6 | 100 | 6 | 100 | 1 | 100 | 6 | 100 | 29 | 100 |

Source: SPSS output from Survey data, 2019

In case of professional certification, no one has any professional certification. These can imply that there is a lack of broad range of skills and expertise, and ongoing professional development which are crucial to the formation and maintenance of an effective audit and non-audit activity which affect implementation of audit recommendation. Due to lack of this professional certification, auditors may lack knowledge in auditing audit staffs lack knowledge in implementing audit recommendation.

Table 4 respondents' professional certification

| Professional certification | Response | | | | | | | | | | | | Total | |
|----------------------------|------------|-----|------------------|-----|-----------------|-----|-------------|-----|----------------------------------|-----|------------------|-----|-----------|-----|
| | BOFEC Head | | Finance Director | | Audit directors | | accountants | | Deputy auditor General of Oromia | | Senior I/auditor | | | |
| | Frequency | % | Frequency | % | Frequency | % | Frequency | % | Frequency | % | Frequency | % | Frequency | % |
| CIA | | | | | | | | | | | | | | |
| CPA | | | | | | | | | | | | | | |
| CMA | | | | | | | | | | | | | | |
| ACCA | | | | | | | | | | | | | | |
| No prof. certification | 4 | 100 | 6 | 100 | 6 | 100 | 6 | 100 | 1 | 100 | 6 | 100 | 29 | 100 |

Source: SPSS output from Survey data, 2019

4.2 Audit recommendation Quality

The study sought to establish the level at which respondents agreed or disagreed with the following statements relating to audit recommendations stating specifically the action to be undertaken. Australian National Audit Office (2015) states that “auditors are supposed review how programs are being carried out and how activities are managed”. They further assert that “this affords excellent opportunities to make recommendations to management that improves their ongoing programs, conserve resources, provide better customer service. This is not true in Oromia budgetary public sectors where the survey result indicated that audit recommendations do not state specifically the action to be undertaken. The result show that, 48% and 28% of the respondents disagreed and strongly disagreed respectively on the statement that Audit recommendations do state specifically the action to be undertaken by mean of 3.9. While, 10% of respondent agreed and 14% agree somewhat with this statement.

Table 5 Audit recommendation Quality response

| No | Code | Statement | frequency | | | | | Mean |
|----|------|---|----------------|-------|-----------------|----------|-------------------|------|
| | | | Strongly agree | agree | Somewh at agree | disagree | Strongly disagree | |
| | | Audit recommendation Quality | | | | | | |
| 1 | Q1 | Audit recommendations do state specifically the action to be undertaken | | 3 | 4 | 14 | 8 | 3.9 |
| 2 | Q2 | Audit recommendations are well supported by facts or criteria | - | 2 | 3 | 15 | 9 | 4.06 |
| 3 | Q3 | Audit recommendations are not convincing | 11 | 13 | 3 | 2 | | 1.8 |
| 4 | Q4 | The audit findings and audit recommendations are in align | - | 2 | 2 | 12 | 13 | 4.2 |
| 5 | Q5 | Recommendations do not identify a course of action that will correct audit findings | 12 | 11 | 3 | 1 | 2 | 1.9 |
| 6 | Q6 | audit recommendations properly addressed the identified risk with proper control. | - | 4 | 2 | 10 | 13 | 4.10 |

Source: SPSS output from Survey data, 2019

The above table 5 of item 2 point out that Audit recommendation are well supported by facts or criteria The result indicates that many responders believe that Audit recommendations are not well supported by facts or criteria (52% disagreed and 31 % strongly disagreed) while small number of responders did think that (7% agreed) and 10% of them somewhat agree). This is in line with Aikins (2012), that audit recommendations are not well supported by facts or they do

not flow logically from the facts. from this analysis it can be concluded that audit recommendations are not well supported by facts or criteria. So, criteria from internal control are crucial for good quality of audit report.

In case of quality (table 5 item number 3), most respondents (45%) agreed as indicated by 1.8 mean that the audit recommendations are not convincing and 38% of the respondents strongly agree with the case. The remaining respondents: 7% disagreed, and 10% somewhat agreed with this statement. Preparing non convincing recommendation leads to misleading auditees in taking wrong action. The results of this finding are similar with Magrane and Malthus (2010) argued that recognizing actions that have been completed or are underway to correct an identified problem adds balance to report and makes it more convincing.

Evidence from the study showed that the audit findings and audit recommendations are not in align. 41% of the respondents disagreed on the questions that the audit findings and audit recommendations are in align, and 45% strongly disagree while 7% agree and the remaining 7% are has no comments with the issue. This implied that the audit findings and audit recommendations are not in align. From this response, it is not difficult to understand that the audit recommendation made has no direct relation with respective finding.

As can be seen from the Table 5 of item 5, almost all of the respondents agreed that the recommendations do not identify a course of action that will correct audit findings as shown by mean of 1.9. Accordingly, 41% of the respondents strongly agree and 38% of the respondents agreed with the case while 3% disagreed, 7% strongly disagreed and the remaining 10% has no comment. Kolthari (2012) states that poor quality recommendations have negative in tone, content and less likely to get action. Aikins (2012) also agrees that “these recommendations do not identify a course of action that will correct an acknowledged problem or cause significant improvements that the auditors work as policemen and treat the auditee as the criminal, when results are bad then they would have had worked effectively”. Providing correct recommendation is unquestionably important for recommendation implementation and quality audit report too.

Concerning the case, audit recommendations properly addressed the identified risk with proper control. Over half (35% disagree and 45% strongly disagree) of respondents reported that Audit recommendations are not properly addressed to those who implement it. by mean of 4.10

while 14% and 7% of the respondents agree and somewhat agree respectively with this matter. The result shows that the auditors do not properly identify risk with reliable internal control. Audit recommendations identify risks to the successful delivery of outcomes consistent with policy and legislative requirements, and highlight actions aimed at addressing those risks, and opportunities for improving entity administration.

4.3 Auditee staffs Qualification

As per the response result in table 6 of item 1 below, it is noted that the auditee staffs lack the appropriate expertise to implement audit recommendation as shown by mean of 1.8. Most respondents agreed (48% strongly agreed and 35% agreed) with the statement that auditee staffs lack the appropriate expertise to implement audit recommendation, whereas 3% strongly disagreed and 14% has no comment on this issue.

Table 6 Auditee staffs Qualification response

| No | Code | Statements | frequency | | | | | Mean |
|-----------|------|--|----------------|-------|----------------|----------|-------------------|------|
| | | | Strongly agree | agree | Somewhat agree | disagree | Strongly disagree | |
| II | | Auditee staffs Qualification | | | | | | |
| 1 | C1 | The auditee staffs lack the appropriate expertise to implement audit recommendation | 14 | 10 | 4 | - | 1 | 1.8 |
| 2 | C2 | Auditee Staff changes due to organizational merging and restructuring do not slow down efforts to resolve audit recommendations. | 2 | 5 | 1 | 10 | 11 | 3.7 |
| 3 | C3 | government office does not have any challenges in attracting and retaining high quality employees that leads to ineffective implementation of audit recommendation | 2 | 3 | 3 | 11 | 10 | 3.8 |
| 4 | C4 | Staffs of auditees are motivated to implement the audit recommendation | 3 | 5 | 2 | 9 | 10 | 3.6 |
| 5 | C5 | Government offices are not committed to audit recommendations | 15 | 10 | 3 | 1 | - | 1.6 |
| 6 | C6 | Staff in the accounting and finance department or the entire organization is competent on the implementation of internal audit recommendations | 3 | 3 | 4 | 15 | 4 | 3.6 |
| 7 | C7 | Employees lack the right skills so as to make the implementation of audit recommendation process simple and easy | 13 | 14 | 1 | 1 | - | 1.6 |

Source: SPSS output from Survey data, 2019

The data collected as per above table of item 2 showed that auditees Staff changes due to organizational merging and restructuring do not slow down efforts to resolve audit recommendations. High percentage of the respondents i.e. 35 % and 38% choose disagree and strongly disagree respectively. The rest 17% and 7% of the respondents choose agree and strongly agree while 3% of the respondents agree somewhat. The result of the study is in align with Nash (2013), staffing changes due to organizational restructuring slow down efforts to resolve audit recommendations. Bell (2010) asserts that “it becomes challenging for a unit to comply fully with the recommendations of the audit which would have been issued at a time when the unit was operating in a different setting and with a different structure”. Ziberman and Reis (2013) agrees that the public sector salary scale do not compete well to the private sector as well as insufficient career perspective, training opportunities and no systematic mentoring programs in parastatals. This study identified that new employees, due to merging of two/three office together, do not easily understand the audit findings and recommendations and challenge them to implement audit recommendation.

Concerning the question of the government office does not have any challenges in attracting and retaining high quality employees that leads to ineffective implementation of audit recommendation as point out by mean of 3.8. 38% of them disagree and 35% strongly disagree. In contrast 7% and 10% strongly agree and agree that the government office faces difficulties in attracting, motivating and retaining high quality employees that leads to the drainage of brainpower. This result is in line with Yamamoto and Terashima (2014:65) states that “some countries face difficulties in attracting, motivating and retaining high quality employees due to political, economic and environmental instabilities leading to the drainage of brainpower”. This implied that employees with the sufficient knowledge are the right solution for implementation of audit recommendation.

For the item number 4, respondents disagreed that staffs of auditees are motivated to implement the audit recommendation as pointed out by mean of 3.6. 31% disagree and 35% strongly disagree with this issue that staffs of auditees are motivated to implement the audit recommendation. In contrast only 17% agreed and 10% strongly agreed with this statement, while 7% agree somewhat. The result denoted that auditee staffs have no motivation in implementing audit recommendation.

On table 6 of item 5 above, Statistical evidence revealed that 35% and 52% of the respondents respectively agreed and strongly agreed that government offices are not committed to audit recommendations. A few numbers of the respondents i.e. 3% and 10% choose disagree and somewhat agree respectively. The result indicated that Government offices are not committed to audit recommendations.

As indicated in the above table, the majority of the respondents think that staff in the accounting and finance department or the entire organization is incompetent on the implementation of internal audit recommendations. 52% of the respondents disagreed that staff in the accounting and finance department or the entire organization is not competent on the implementation of internal audit recommendations. The remaining 14%, 14 %, 10%, and 10% of the respondents choose strongly disagree, somewhat agree, strongly disagree and agree. The result indicated that Staff in the accounting and finance department or the entire organization is incompetent in implementation of audit recommendations. This is consistent with Abdullah (2014) argued that if the staff in the accounting and finance department or the entire organization is incompetent implementation of internal audit recommendations will be difficult regardless of the audit committee persuasion.

Most respondents (45 % strongly agreed and 48% agreed) agreed with the matter that employees lack the right skills so as to make the implementation of audit recommendation process simple and easy while 3% disagree on this statement. On the other hand, 3% of the respondents agree somewhat. From this evidence, it can be concluded that employees with right skill can implement audit recommendation effectively. The study result is similar with Nadon (2015) argument that for effective implementation the employees must acquire the right skills so as to make the implementation process simple and easy.

Generally, the results from the empirical findings reveal that audit recommendation quality challenges the implementation of audit recommendation. This shows that the quality of audit recommendation presented by the auditors is less.

4.4 Audit follow-up

Table 7 shows how participants responded to questions relating to audit follow up. Responses to table 4 of question 1 indicated general agreement with the statement that top management lacks follow up to implement audit recommendations by mean of 1.6. The results signified that

respondents (48%) were agreed and 45% of the respondents strongly agreed that Top management lacks follow up to implement audit recommendations. While the remaining 7% agree somewhat with the matter. The study indicate that top management have no willing to implement audit recommendation.

Strive was also made to know if the regional Auditor General performed follow up on the implementation of audit recommendations, the survey result in Table 5 depicted that 48% of the respondent disagreed that the Regional Auditor General performed follow up on the implementation of audit recommendations and 31% of the respondents strongly disagree with this question. 10% of the respondents agree somewhat but the remaining respondents generally agreed on the matter. O’Hearn (2015) supports that auditors should assess whether the agencies they audit have a follow up system that adequately meets their fundamental responsibility for resolving and implementing audit recommendations. All these pointed toward that the Regional Auditor General do not performed follow up on the implementation of audit recommendations. Based on this result it can be easily predicted that follow up audit is not conducted by office of the auditor general of the region.

The respondents were asked to give their opinion whether action plan is set by the audited government sector. The survey result which is presented below in Table 7 shows 48% of the respondents disagreed that Action plan is set by the audited government sector. 31%, 10%, 7% and 3% of the respondents strongly disagreed, strongly agreed, agreed and somewhat agree respectively. From this study the researcher concluded that action plan is not set for implementation of audit recommendation.

As referred from Table 7, about 31% of the respondents disagreed that Management is given pressure by the auditors in the way of follow ups and 38% of the respondents strongly disagreed. While small number of the respondents (7% strongly agree and 17% agree) agreed on the issue and the remaining 7% agreed somewhat. This is in line with Chartered Institute of Internal Auditors (2017) outlined that follow ups can be a good way to persuade management on implementation of audit recommendations since follow ups may show the seriousness of the internal auditors and how they value the implementation of the recommendations.

Regarding the auditors and management work together and continuously follow up on the implementation process, 52% and 28% of the respondents disagreed and strongly disagreed

respectively that the auditors and management work together and continuously follow up on the implementation process. Whereas 3%, 10%, and 7% strongly agreed, agreed, and agreed somewhat respectively. Rehman et al. (2016) support by outlining that accomplishment of the organization's desired goals require the auditors and management to work together and continuously follow up on the implementation process.

The results in table 7 of item 6 show that 48% of the respondents disagreed and 35% of respondents strongly disagreed that report is presented on follow up audit. On the other hand, 10% of respondents have somewhat agreed, while the remaining 7% of the respondents strongly agreed with the statement. From this result the researcher identified that majority of the respondents not agreed on that report is presented on follow up audit.

Table 7: Response on Statements Audit Follow -Up

| No | Code | Statements | frequency | | | | | Mean |
|----|------|---|----------------|-------|----------|----------|-------------------|------|
| | | Audit Follow -Up | Strongly agree | Agree | Somewhat | disagree | Strongly disagree | |
| 1 | F1 | Top management lacks follow up to implement audit recommendations | 13 | 14 | 2 | - | - | 1.6 |
| 2 | F2 | The regional Auditor General performed follow up on the implementation of audit recommendations | 1 | 2 | 3 | 14 | 9 | 3.9 |
| 3 | F3 | Action plan is set by the audited government sector | 3 | 2 | 1 | 14 | 9 | 3.8 |
| 4 | F4 | Management is given pressure by the auditors in the way of follow ups | 2 | 5 | 2 | 9 | 11 | 3.7 |
| 5 | F5 | The auditors and management work together and continuously follow up on the implementation process. | 1 | 3 | 2 | 15 | 8 | 3.9 |
| 6 | F6 | Report is presented on follow up audit | 2 | - | 3 | 14 | 10 | 4.1 |

Source: SPSS output from Survey data, 2019

Follow up audit is a critical in increasing the quality of implementation of audit recommendation. Most respondents asserted that audit follow up is not exercised by both auditors and auditees which are important in implementation of audit recommendation.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings of the study, conclusion to the main issues of the study and recommendations are also provided. The purpose of this study is to assess the implementation of audit recommendations in Oromia special zone surrounding Finfinnee city administrations.

5.2 Summary of findings

Based on the review conducted on related literature, analysis and interpretation of data made, the followings are the major findings of the research work:

- Audit recommendations do not state specifically the action to be undertaken and is not supported by internal control criteria that convince the auditee;
- The audit findings and audit recommendations clash with one another;
- Audit recommendations do not properly address the identified risk with proper control;
- As a whole, audit recommendation has no quality which result in ineffective of evaluating the performance of the public sector and difficult to verify if the public sectors are in compliance with the government rules and regulations;
- This study also found that auditees staffs are incompetent in implementing audit recommendation that help in achieving organizational objectives. Under the umbrella of lack of staff Knowledge:
 - ✓ The auditee staffs lack the appropriate expertise to implement audit recommendation and auditee staff changes due to organizational merging slow down efforts to resolve audit recommendations;
 - ✓ Public sectors have challenges in attracting and retaining high quality of employees that leads to effective implementation of audit recommendations;
 - ✓ Staffs of auditees are not motivated to implement the audit recommendation and the lack of right skills make less implementation of audit recommendation.

- Top management has no trend of follow up the implementation of audit recommendations and also office of the auditor general of the region has no initiative to follow up on the implementation of audit recommendations too;
- Action plan is not set out by the audited government sector to take remedial action in timely fashion;
- No working environment for auditors and management to work together and lack of continuity follow up on the implementation process. In addition, report is not presented on follow up the audit recommendations and management are not given pressure by the auditors in the way of follow up.

5.3 Conclusion

This study deals with the implementation of audit recommendation. Based on the summary of major findings of the study, the following conclusion is drawn.

Audit requires specific capabilities (i.e., the professional knowledge, professional skills and experience) to carry out the work as competent audit professionals and auditees staffs need knowledge and training on how audit recommendation is implemented. If implementation of audit recommendation is not well practiced, the public sectors more exposed to fraud perpetration and resources embezzlement.

The quality of audit recommendation is low, audit teams have no satisfactory knowledge, skill and qualification, training in providing good quality of writing audit recommendation which can have a transformative effect in lessening risks. Moreover, almost all auditors have no professional certification which upgrades their knowledge of producing good quality report. From all these, it can be concluded that if adequate competence is acquired, auditors can produce quality findings with quality recommendation that play significant role in value adding.

Moreover, the study notes that the general belief that the public sector following the previous audit finding for the purpose of taking corrective action is too weak, there is no working environment for auditors and management to work together on how audit recommendation is implanted and continuously follow up on the implementation process. In addition, report is not

issued regarding the previous audit findings and management is not given pressure by the auditors in the way of follow ups audit reports.

5.4 Recommendations

Based on the findings, the following recommendations are proposed for the consideration of Oromia public institutions, management of the public sectors and the internal auditors.

- Regional government should prepare policy that makes liable management for audit recommendations not implemented;
- The study recommends that auditors should get adequate training and sufficient know how of preparing audit recommendations, audit findings, risk to be encountered, and what internal controls to be needed to prevent the risk;
- As the research proved that competent auditee staffs play important role in implementation of audit recommendation in the public sector. The public sectors should recruit professional staffs or facilitating condition for certification of the staff;
- Management should be encouraged to seriously consider recommendations given and implement them to ensure risk is reduced and better financial performance for their sectors.

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APPENDIX: QUESTIONNAIRES

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

MSc IN ACCOUNTING AND AUDITING

Title of the Research project: implementation of audit recommendations in Oromia special zone surrounding Finfinnee city administrations.

Dear Respondents,

A LETTER OF INTRODUCTION

I am conducting a research project under the title “implementation of audit recommendations in Oromia special zone surrounding Finfinnee city administrations.”. The data shall be used for academic purpose only and it will be treated with confidentiality it deserves. The respondents are highly encouraged and persuaded to respond to the statements in this questionnaire in the most truthful and objected way possible. Your participation in facilitating this study will be highly appreciated. Kindly tick in the space provided with the correct answer or supply the required information where, required, please specify and elaborate.

I guarantee that all information supplied will be treated with the strictest confidence and used, only for the academic purpose for which it is intended. Thank you for your cooperation and valuable contribution towards the success of this research work.

Yours faithfully,

Researcher’s Address:

Lelisa Gudeta

Mobile: 0911902536

E-mail: lelisagudeta@yahoo.com

Addis Ababa

Ethiopia

I. Purpose of this research

The purpose of this survey is to collect data regarding implementation of audit recommendations in Oromia special zone surrounding Finfinnee city administrations. Your participation will help the researcher to better understanding the of implementation of audit recommendations

II. Extent of anonymity and confidentiality

No personally identifiable information is being collected from and all information you provide will be combined with other respondents' data, analyzed and reported in aggregate. Responses will be kept confidentially at all times, and used for academic purpose only.

III. The personal profiles:

General Instruction: Please indicate your choice by putting “√” mark in the box or supply the required information where, required, please specify and elaborate.

1. Please indicate your gender M F
2. What is your level of position title in your organization? -----
3. What is your highest level of completed academic education?
 Diploma Bachelor's degree Masters' degree
 PHD Other specify it-----
4. What is your highest level of professional certification?
 CIA CPA CMA ACCA
 No professional certification other specify it-----
5. How long have you worked in the organization?
 Less than 2 years 3 - 5 years
 6-10 years More than 10 years

IV General Question:

6. Do you think audit recommendation implementation is a problem in your sector office?
 Yes No

7. Do you feel audit recommendation quality is critical for implementation?

Yes

No

Audit recommendation Quality

8. Do you believe that audit recommendation has good quality?

I believe

I don't believe

9. Audit recommendation is vague?

Yes

No

10. Correct recommendation is forwarded for audit finding

Yes

No

11. Standard is used while preparing audit findings.

Yes

No

Competence of staff

12. Auditors are competent enough to write good audit recommendation?

Yes

No

13. Audit recommendation is implemented by the auditee?

Yes

No

Audit follows up

14. To what extent does audit follow up is performed in Oromia special zone around Finfinnee budgetary public sectors?

Very great extent

Great extent

Moderate extent

Little extent

No extent

15. Oromia Auditor general office follows the implementation audit recommendation?

Yes No

16. Does audit report issued on audit follow up?

Yes No

17. Does action plan set for implementation of recommendation?

Yes No

18. If your answer of Question No 17 is yes, explain your action plan date?

.....

| Please provide your level of agreement or disagreement with the following statements (please mark “√” for each line in the labeled columns) strongly disagree=5, disagree=4, agree somewhat 3, agree=2 and strongly agree=1 | | | | | | |
|---|--|---|---|---|---|---|
| No | Factors | 1 | 2 | 3 | 4 | 5 |
| I | Audit recommendation Quality | | | | | |
| 1 | Audit recommendations do state specifically the action to be undertaken | | | | | |
| 2 | Audit recommendations are well supported by facts or criteria | | | | | |
| 3 | Audit recommendations are not convincing | | | | | |
| 4 | The audit findings and audit recommendations are in align | | | | | |
| 5 | Recommendations do not identify a course of action that will correct audit findings | | | | | |
| 6 | Audit recommendations properly addressed the identified risk with proper control. | | | | | |
| II | Competence of staff | | | | | |
| 1 | The auditee staffs lack the appropriate expertise to implement audit recommendation | | | | | |
| 2 | Auditee Staff changes due to organizational merging and restructuring do not slow down efforts to resolve audit recommendations. | | | | | |

| | | | | | | |
|------------|--|--|--|--|--|--|
| 3 | Government office does not have any challenges in attracting and retaining high quality employees that leads to ineffective implementation of audit recommendation | | | | | |
| 4 | Staffs of auditees are motivated to implement the audit recommendation | | | | | |
| 5 | Government offices are not committed to audit recommendations | | | | | |
| 6 | Staff in the accounting and finance department or the entire organization is competent implementation of internal audit recommendations | | | | | |
| 7 | Employees lack the right skills so as to make the implementation of audit recommendation process simple and easy | | | | | |
| III | Audit Follow up | | | | | |
| 1 | Top management lacks follow up to implement audit recommendations | | | | | |
| 2 | The regional Auditor General performed follow up on the implementation of audit recommendations | | | | | |
| 3 | Action plan is set by the audited government sector | | | | | |
| 4 | Management is given pressure by the auditors in the way of follow ups | | | | | |
| 5 | The auditors and management work together and continuously follow up on the implementation process. | | | | | |
| 6 | Report is presented on follow up audit | | | | | |

Thank you for your prompt response and cooperation!