



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

**BY:  
Tigist Edessa**

**FACTORS AFFECTING EFFECTIVENESS OF GOVERNMENT AUDIT:  
A CASE OF OROMIA AUDITOR GENERAL OFFECE**

**A Project paper Submitted to the Department of Accounting and Finance in  
partial Fulfillment of the Requirements for the Degree of Masters of Science  
in Accounting and Auditing**

**Advisor: Abebaw.K (Ph.D.)**

**June, 2019**

## DECLARATION

I hereby declare that this work entitled “**Factors Affecting Effectiveness Of Government Audit: A Case Of Office Of Oromia Auditor General, Ethiopia**” is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgment has been made in the text.

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*By Tigist Edessa* \_\_\_\_\_

Candidate’s Name Signature & date

### Advisor’s Approval

This Research Project paper has been submitted for examination with my approval as a University advisor.

*Advisor: Abebaw Kassie Ph.D.)* \_\_\_\_\_

Advisor’s Name

Signature & date

**Addis Ababa University**  
**College of Business and Economics**  
**MSC Program**

This is to certify that the Research Project Paper prepared By Tigist Edessa, entitled **“Factors Affecting Effectiveness Of Government Audit: A Case Of Office Of Oromia Auditor General, Ethiopia”** is submitted in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Auditing complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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\_\_\_\_\_  
**Internal Examiner**

\_\_\_\_\_  
**Signature & Date**

\_\_\_\_\_  
**External Examiner**

\_\_\_\_\_  
**Signature & Date**

\_\_\_\_\_  
**Chair of Department or Graduate Program Coordinator**

## **Acknowledgments**

First of all praise to almighty God, the Lord of the world for giving me the potential, courage and determination to complete my studies in general and this project in particular.

Secondly, I would like to express my genuine thanks to my advisor Dr. Abebaw Kassie (PhD), for all his assistance and willingness to share his knowledge and experiences with me.

I would like to thanks to my office (Oromia Auditor General) for giving me the chance to join MSC in field of Accounting and Auditing program.

I am very grateful to my family members, friends and all my staff members who have been supporting and encouraging me throughout the period of the study as well as my life as a whole.

Finally, I would like to thanks all my respondents and the people who supported me in giving different materials and for their idea sharing to complete this study.

## ACRONYMS AND ABBREVIATIONS

<b>AFROSAI-E</b>	African Organization of Supreme Audit Institutions-English-speaking
<b>AQ</b>	Audit Quality
<b>BoFEC</b>	Bureau of Finance and Economic cooperation
<b>BPR</b>	Business Process reengineering
<b>CFA</b>	Cooperation from the Auditee
<b>EGA</b>	Effectiveness of Government Audit
<b>FRSR</b>	Fundamental Rules and Support Rules
<b>GAGAS</b>	General Accepted Government Audit Standards
<b>GFR</b>	General financial rules
<b>IND</b>	Independency
<b>IIA</b>	Institute of Internal Auditor
<b>OOAG</b>	Office of Oromia Auditor General
<b>AR</b>	Availability of Resource Constraint
<b>SRO</b>	Statutory, Regulatory audit
<b>SPSS</b>	Statistical Package for Social Science

## **ABSTRACT**

*The purpose of this study was to identify and examine the factors that affect the effectiveness of government audit in the case of Office Oromia Auditor General (OOAG). The OOAG has 313 total employees, 95 supportive staffs and the remaining 218 were auditors which was targeted population and currently engaged directly in the actual audit work at field. In order to answer the basic research questions the researcher was used Explanatory type of research method and quantitative research approach by using a primary source of data. The data had been collected through Structured questionnaires distributed to 141 OOAG's government auditors, calculated by using the **Slovene's Formula** ( $n=N/(1+Ne^2)$ ).  $n=218/(1+218*0.05^2)=218/1.545=141$ . The collected data was analyzed by using Statistical Package for Social Sciences (SPSS Version 20) program. To describe Results of the research variables regression analysis had been conducted. Hypothesis, Data validity, and goodness of fit had been tested with composite reliability. Multiple linear regression models were used to analyze the data. According to the regression output the audit quality, Availability of Appropriate Resources and cooperation from the auditee were significantly and positively contributed for the government audit effectiveness in the office of Oromia auditor general. The remaining variable; the independency of GA were positively related with the GAE but its contribution for the GAE were statistically not significance. All of these four independent variables are making 55.10% of the contributions for government audit effectiveness in the OOAG. So, The office of Oromia auditor general should understand that the contributions of these variables were collectively significant to effectiveness of its function.*

**Keywords:** *Government audit effectiveness (GAE), audit quality (AQ), independency (IND), and cooperation from the auditee (CFA) and Availability of Appropriate Resources (AAR).*

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# CHAPTER ONE

## 1. Introduction

### 1.1 Background of the Study

A country that is administered in a democratic policy needs to be accountable in its use of public money and in providing effective, efficient and economical service delivery. To achieve those government objectives applying effective audit function had been the major mechanism for controlling and using of all scarce resources available in the public sectors organization.

Corruption is primarily problem of developing countries. One of the principal causes of "bad governance" is the existence of corruption conversely; one of the core foundations for good governance is accountability-the obligation to render an account for a responsibility conferred, (Dye and Stapenhurst, 1998). Comparatively Ethiopia is one the most corrupt country because of lack of accountability and proactive supervision. So, this phenomenon leads our attention to the effectiveness of the audit.

An audit is an independent examination of an entity by an auditor, who delivers reports about facts observed to the best of his knowledge. Audit is exercised to hold an organization accountable for their deeds. Audits are effective if they are strong enough to transparently highlight performance lags of government entities. An audit can be made effective if problems and issues of auditors are resolved. (Masood and Lodhi, 2015)

Auditing is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources are managed responsibly and effectively to achieve intended results, auditors help public sector organizations achieve accountability and integrity, improve operations, and instill confidence among citizens and stakeholders. The public sector auditor's role supports the governance responsibilities of oversight, insight, and foresight. Oversight addresses whether public sector entities are doing what they are supposed to do and serves to detect and deter public corruption. Insight assists decision-makers by providing an independent assessment of public sector programs, policies, operations, and results. Foresight identifies trends and emerging challenges. Auditors use tools such as financial audits,

performance audits, investigations, and advisory services to fulfill each of these roles.(Institute of Internal Auditors(IIA), 2012).

Effectiveness can be regarded as a composite of competence, procedural arrangements, quality control and quality assurance. The procedural arrangements can be regarded as the tools used by firms and individuals to ensure that audits comply with technical standards, i.e. legal requirements, regulators' requirements and auditing standards. (Bender, 2006)

As stated in Proclamation No. 982/2016, "A Proclamation to Re-Establish the Office of the Federal Auditor General of Ethiopia" Strengthening the audit system in the country plays an important role in providing reliable data useful for the effective management and administration of the national economy; Audit is an effective instrument in reflecting the new democratic system by ensuring proper accountability in the various Federal Government offices and organizations within the State structure.

However, the government auditors faces many challenges, some of the challenges identified by Beyashe (2008) aimed at identifying challenges faced by Ethiopian federal government public auditors in discharging their responsibilities, Lack of independence, Difficulty in collecting the necessary data for audit and Lack of motivation.

So, it is important to have effective government audit in federal and state level in order to bring accountability, transparency and good governance to manage public funds. As mentioned in review literature various researches were conducted on the current effectiveness of internal auditing in public sectors. Mihret and Yismaw (2007)in their paper "Internal audit effectiveness: an Ethiopian public sector case study", aimed at identifying factors impacting the effectiveness of internal audit services stated that Internal audit effectiveness is arguably a result of the interplay among four factors: internal audit quality; management support; organizational setting; and attributes of the auditee. The end result of the research highlighted that internal audit effectiveness is strongly influenced by internal audit quality and management support, whereas organizational setting and auditee attributes do not have a strong impact on audit effectiveness.

Aliyi (2007) in her paper." factors that affect the effectiveness of internal audit: in Oromia Special Zone Surrounding Finfinne Administration Finance and Economic Development office" The end result the research indicates that the four factors such as: independence, management

support, competence and organization setting do have an impact on the effectiveness of internal audit. The focus of those papers looks similar in terms of sectors and types of auditors.(Mihret & Yismaw, 2007;Aliyi, 2016;Getahun, 2018;Gebre, 2018; Gebremedhin, 2018;Hailemariam,2014) Almost all the researches focus on public service institutions and effectiveness of internal auditors in that institution.

As it is indicated above, many previous studies focused on the underlying factors on the effectiveness of internal audit especially in public sector and few studies conducted on challenges and effectiveness of Performance audit not considering other types of audit.(Beyashe, 2008; Biranu, 2016; H/Mariam, 2018). But as per researcher's knowledge, no prior research is conducted in context of Ethiopia to explore factors which affect effectiveness of government auditors in OOAG to achieve their goals.

Therefore, this study aims to examine the factors affecting effectiveness of government audit in the Office of Oromia Auditor General, Ethiopia and the ways for solving problems identified. As the result this study were intend to fill the gap and enhance a similar study to be done in government audits.

## **1.2 Back grand of the organization**

Proclamation No. 7/1992 of the transitional period has laid down the basis for the establishment of the National/Regional State-Governments. Article 8(e) of this Proclamation states "Every National/Regional self-government shall have an audit and control Office". Article 15(h) of the Proclamation has also given each National/Regional Council the power to establish the Audit and Control Office. Therefore, the establishment of a Federal State Structure by the 1994 Constitution of Ethiopia, the whole arrangement of the government auditing structure changed as the duties and responsibilities were separated into the Federal and Regional audit institutions. Following this Law, every Regional State's Council promulgated a proclamation to establish an audit office. While Article 101 of the New Federal Government Constitution provided the basis for the appointment, powers and duties of the Federal Auditor General, Article 33 and 34 of the Proclamation No. 7/1992, specified the accountability, powers and duties of the Head of each National/Regional Audit and Control Office. Based on the aforementioned constitutional provisions, Proclamation No. 04/1994 GC was enacted to establish the Office of the Auditor

General of Oromia (OAGO) for the first time and then there was continues amendments have been done to make it compatible with the current reform BPR and until the current amendment pro. No. 154/2010 there was three series amendments have been made to redefine its authority, scope and duty of the office. Which give the Auditor General of the region, the Authority and duty to undertake; Financial/regularity, Performance, environmental, control, information system and fraud/special should be audit or cause to be audited on accounts of the regional government offices and Development Organizations according to the proclamation. Accordingly the Office of Auditor General of Oromia has been executing its duty starting from its foundation. In recent years due to the increase of government involvement in different developmental projects, government revenue and spending increased substantially in amount and funding sources. The funding sources include the involvement of different nongovernmental agencies (foreign development partners) in government developmental programs through bilateral and multilateral agreements like; Millennium Sustainable Goal programs, the number of the stakeholders whom need the service of external auditing were increased. These conditions necessitate the need for reliable, timely financial and performance information used for monitoring, controlling and to use different economic decisions. (INTOSAI, lima declaration, 1998) Auditing is all about credibility which means the public expects high degree of reliance on the audit attestation work of the financial reports produced by government organizations there is no other means of independent professional proof to rely on whether the financial and economic performance reports show the real situation of financial implementation in compliance with stated criteria and the achievement of the stated goals.

### **1.3 Statement of The problem**

An effective public sector audit activity strengthens governance by materially increasing citizens' ability to hold their government accountable. Auditors perform an especially important function in those aspects of governance that are crucial in the public sector for promoting credibility, equity and appropriate behavior of government officials, while reducing the risk of public corruption. Therefore, it is crucial that government audit activities which are configured appropriately and have a broad mandate to achieve these objectives. The audit activity must be empowered to act with integrity and produce reliable services, although

the specific means by which auditors achieve these goals vary. At a minimum, government audit activities need.(Institute of Internal Auditors(IIA), 2006).

An audit is an independent examination of an entity by an auditor, who delivers reports about facts observed to the best of his knowledge. Audit is exercised to hold an organization accountable for their deeds. Audits are effective if they are strong enough to transparently highlight performance lags of government entities and an audit can be made effective if problems and issues of auditors are resolved. In order to ensure that the ministries are working economically, effectively and efficiently, the Parliament appoints auditors as watch dogs to evaluate performance of those ministries and to make them accountable for the proper appropriation of public money. Government auditors have to bring accountability, transparency and good governance to manage public funds (Masood and Lodhi, 2015).So an effective government audit is needed to bring accountability, transparency and good governance in public sectors. The study conducted by Masood and Lodhi (2015) investigated that Factors Affecting the Success of Government Audit in Pakistan, They investigated as the findings of the study massive corruption, conservative auditing methods, lack of cooperation from auditee, low morale of auditors, lack of financial independence, lack of power to take action against malpractices, lack of financial, technological and human resources, lack of qualified trainers and ineffective training institutes are antecedents of ineffective audits which ultimately make it difficult to bring transparency and accountability in the public sector. Although, in Ethiopia the history of auditing goes back to 1930's Even if the profession has long life its development is not as expected. Because of different challenges and factors hinder the development of government audit in Ethiopia.

As indicated by Beyashe (2008) Deferent challenges influenced the effectiveness of government audit's report. Those are: Lack of knowledge and expertise, inadequate staff capacity and training, Lack of independence, Difficulty in collecting the necessary data for audit and Lack of motivation.

The Study Conducted by Birhanu (2016) in her research paper "Factors Affecting Performance Audit Effectiveness: In Case Of Office Of Federal Auditor General Of Ethiopia". Aimed at examine factors affecting performance audit effectiveness, the auditees' duties and the public accounting committee contribution related to performance audit and its effectiveness by drawing



the practice of Ethiopian Office of Auditor General. The end result of the research highlighted that: there is statistical significance positive relationship between legal mandates, adequate & competent professional, post audit follow ups and performance audit effectiveness.

The most common challenge of performance audit are in availability of sufficient manpower, inadequacy of compensation paid for auditor, non-availability of other resource, lack of knowledge, skill and experience in conducting performance audit, lack of properly identifying high risk area and developing evaluation criteria; Lack of proper documentation from the auditee side and Lack of clearly identifying the accountable; the leadership lack attention, knowledge, positive outlook for performance audit. (H/Mariam, 2018)

As it is indicated above most previous studies tried to highlight the challenges face government audit performance in different ways, and may have some limitations to answer the research questions under consideration. Firstly, the researchers' mainly focused on challenges of performance audit. (Biranu, 2008; H/Mariam, 2018) did not considering other types of audit and challenges of financial audit (Beyashe, 2008) in Federal Government audit, But as it is stated in Proclamation No. 154/2010 (proclamation to reestablish the office of Oromia regional state auditor General), OOAG undertake different types of audit; Financial audit, regulatory (compliance) audit, Environmental audit, Performance audit and Fraud audit. Second, No extensive research had been conducted on the title under consideration in Ethiopia and specifically Office Of Oromia Auditor General (OOAG).

Taking these considerations into account, this study was tried to identify the factor affecting effectiveness of government audit in Office of Oromia Auditor General (OOAG), Ethiopia and specifically how audit quality, independency, cooperation from the auditee and Availability of Appropriate Resources can affect effectiveness of government audit. The basic reason is this study basically aimed to identify the explicit factors, from the listed literature findings, which may influence the study areas. And To recommend the ways for solving problems identified. As the result this study was intend to fill the knowledge gaps and enhance a similar study to be done on government audits in Ethiopia.

## **1.4 Objectives of the study**

### **1.4.1 General Objectives**

The general objective of this study was to identify the factors influencing government audit effectiveness in the case of Oromia Auditor General (OOAG).

### **1.4.2 Specific Objective**

Specially, the research pursues to achieve the following specific objectives:-

1. To examine the effect of audit quality on government audit effectiveness in OOAG.
2. To examine the effect of independence on government audit effectiveness in OOAG.
3. To determine how cooperation from the auditee can affect government audit effectiveness in OOAG.
4. To examine the effect of Availability of Appropriate Resources on effectiveness of government audit in OOAG.

## **1.5 Research Hypothesis**

After reviewing the related literatures (Biranu,2008;Beyashe,2008;Masood and Lodhi ,2015) specifically the relations of audit quality, independence of government auditors, cooperation from the auditee and resource constraint with government audit effectiveness the study are designed the following directional hypothesis.

H1: The audit quality is positively related to the government audit effectiveness in the Office of Oromia Auditor General.

H2: Independence of the government audit is positively related to the government audit effectiveness in the OOAG.

H3: cooperation from the auditee have positive impact with the government audit effectiveness in the OOAG.

H4: Availability of Appropriate Resources have positively related to government audit effectiveness in the OOAG.

## **1.6 Significance of the study**

This research had a diverse area of contribution to the different bodies which directly or indirectly concerned with an audit. The following are some of the expected benefits of the study:-

1. The finding of the study and the possible recommendation may help to improve the effectiveness of the Office of Oromia Auditor General.
2. The result of the study may create awareness in the minds of the public and the auditee's on the necessity, impact and importance of effective government audit and encouraging them create Cooperation and positive relation among auditors and auditee in order to complete the audit work effectively because Effective government audit function is an important management tool to monitor and direct the internal operations of an organization effectively and appropriately.
3. The result of the study may give highlights on the factors affecting effectiveness of government audit for parliament, regional councils, NGOs and other stake holders which directly or indirectly concerned with an audit and urge them to cooperate for corrective measure taken to improve the effectiveness of the office.
4. It helps the researchers to have common understanding and knowledge for further study on the area in the future and would be a reference material for anyone who wants to conduct a research in the same area or related topics.

## **1.7 Scope and Limitation of the study**

### **1.7.1 Scope of the study**

The study was concerned with to identify the potential factors and examine how audit quality, Independency, Cooperation from the auditee and Availability of Appropriate Resources can affect effectiveness of government audit in the case of Office of the Oromia Auditor General (OOAG), Ethiopia. The OOAG is located at Addis Ababa and undertake external audit of financial account and performances of government offices of the regional government's public entities to ensure accountability. It is accountable to the Regional council (Caffee).In order to answer the basic research question the researcher was used Explanatory type of research method and quantitative research approach by using a primary source of data structured Questionnaires.

The OOAG has 313 employees, 95 supportive staffs and the remaining 218 were auditors which are targeted population and currently engaged directly in the actual audit work at field. Structured questionnaires were distributed randomly to 141 auditors which was calculated by using the Slovene's Formula ( $n = N / (1 + Ne^2)$ ). The research was limited to studying the effectiveness of government audit in OOAG between February to April 2019.

### **1.7.2 Limitation of the study**

In spite of the researcher's efforts to gather the necessary information as objective as possible, the analysis of this study was based on the opinions of respondents, so the respondent may not cooperate well to fill and willing to reveal true information needed for the study for fear of any adverse repercussions. This may in turn limit the ability to make broader generalization from the study undergone. This was solved through explanation of the benefit of the study to the respondents and allowing the respondents to administer the questionnaires themselves. The researcher also assured the respondents that the research was only for academic purposes and all the information obtained was treated with utmost confidentiality. Due to shortage of resources, the information obtained is from the perspective of the auditors of OOAG but not from the perspectives of audited public sectors, media, and legislature. Therefore, this study planned to conduct in the narrow coverage.

### **1.8. Organization of the Study**

The paper was organized in to five chapters. The first chapter was deal with background of study, statement of the problem, objectives of the study, hypothesis testing, Significance and scope of the study. Chapter two was cover literature review, Chapter three methodologies, Research Design, organization of the study that was used in producing the research paper, Chapter four presentation, analysis, and interpretation of data collected. The fifth chapter was containing summary of findings, conclusions and recommendations of the study.

## **CHAPTER TWO**

### **2. REVIEW OF RELATED LITERATURE**

#### **2.1 INTRODUCTION**

The following part of this study reviews the relevant literature. The reviewed literatures cover areas related to basic concept of the auditing, meaning and objective the audit, types of auditors, Internal verses External Auditor , Type of audit performed by government auditors, Effectiveness of government audit, Government audit effectiveness framework , empirical studies on relevant issues, Factors that Affect Effectiveness of government Audit and Gaps in the literature and conclusion.

#### **2.2 Conceptual Review**

##### **2.2.1 Basic Concepts of Auditing**

Concepts are abstractions derived from experience and observation and are designed to aid understanding of the similarities with in a subject matter and the difference from other subject matters. Much like engineering, physics, economics, and Sociology and other physical and social sciences, auditing is based up on a series of fundamental concepts. The importance of auditing concept is that they are the basis for standards, the guidelines or measures of quality from which audit procedures are derived. Together, therefore auditing concepts, standards and procedures are related. (Jennifer, 1997)

In a broad context, audits and system analysis are “kissing cousins” – system analysis being a subset of audits that relates to government contracting, compliance, and property issues. The general category of audits covers a broad range of audit types, most of which relate to financial issues (e.g., real estate, financial portfolio, tax-related audits, or accounting practice business audits). Audits are complex processes that are defined by the relationship of the auditor to the authority requesting the audit and the entity being audited.(Costello et al, 2003)

## 2.2.2 Meaning and objectives of an audit

Auditing is an important activity for all types of organizations whether governmental, private for profit, not for profit or any other. Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communication the result to interested user. (Schwinger, 2005)

Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users.(Costello et al, 2003)

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

## 2.2.3 Types of auditors

Skyler.H (2018) divided auditors into four types such as:

**Independent/External Auditors:** This type of auditor is asked to come into an institution or company and perform an unbiased audit of the organization's financial records. Government agencies, investors, and the general public rely on an external auditor to present an unbiased and independent report.

**Internal Auditors:** This is a professional who works for a company or entity, and maintains internal control of the company's internal finances and other related activities. An internal auditor is an in-house expert who makes sure that everything is going well and that finances are being handled appropriately.

**Government Auditors:** Government auditors examine and maintain the records of government agencies. A government auditor may audit private businesses and individuals, in which their activities are regulated or taxed.

**Forensic Auditors:** These auditors specialize in crimes and are used by law enforcement organizations to help identify financial fraud and theft. In instances when law enforcement needs help tracking money, a forensic auditor may be contacted.

#### **2.2.4 Internal versus External Auditor**

Internal auditors and external auditors are both independent of the activities they audit; internal auditors are integral to the organization and provide ongoing monitoring and assessment of all activities. On the contrary, external auditors are independent of the organization, and provide an annual opinion on the financial statements. The work of the internal and external auditors should be coordinated for optimal effectiveness and efficiency. Providing assurance on accounting and financial controls is part of internal auditor's work. Internal auditing is an activity that covers a broad spectrum of business processes, ensuring the organization is managing its significant risks appropriately. (IIA, 2010)

*Pop et al. (2012)* described the relationship between internal and external auditors as follows:

**Similarities :**Both internal audit and external audit profession are governed by one set of international standards issued by the professional organism specific for each profession. This set of international standards includes the professional standards and the ethical code; Risk is a very important element the planning process for both internal and external auditors; For both professions, the independence of the auditor is very important; Internal and external audit are both concerned over the internal control system of the organization; Both functions are interested in the cooperation between internal and external auditors; For both functions, the results of their activity are presented through audit reports.

**Differences:** depending on Position, Objectives, Independence, Approach of internal control, Applying of the audit, Frequency of the audit, Approach of risk, Approach of fraud.

**Position inside the organization:** The internal auditors' are part of the organization. Their objectives are determined by professional standards, the board, and management. Their primary clients are management and the board. The external auditors are not part of the organization, but are engaged by it. Their objectives are set primarily by statute and their primary client - the board of directors.

**Objectives: The internal auditor's** scope of work is comprehensive. It serves the organization by helping it accomplish its objectives, and improving operations, risk management, internal controls, and governance processes. Concerned with all aspects of the organization - both financial and nonfinancial - the internal auditors focus on future events as a result of their continuous review and evaluation of controls and processes. The primary mission of the external auditors is to provide an independent opinion on the organization's financial statements, annually.

**Independence:** Internal audit must be independent from the audited activities. External audit is independent from its client, the organization, its independence being specific to liberal professions.

**Approach of internal control:** internal control Internal audit regards all the aspects regarding the organization's internal control system. internal control Internal audit regards all the aspects regarding the organization's internal control system. External audit regards the internal control system only from the **materiality perspective**, which permits them to eliminate those errors that aren't significant, because they don't have influences over the financial results.

**Applying of the audit:** Internal audit covers all the organization' transactions. External audit covers only those operations that have a contribution at the financial results and the performances of the organization.

**Frequency of the audit** Internal audit performs during the entire year, having specific missions established in according with the level of risks identified for each auditable entity. External audit is an activity with a yearly frequency, as a rule, at the end of the year.



**Approach of risk** The importance of risk for the planning of internal audit activity is very high, the assessment of risk being combined with other types of information like financial and operational. External audit uses the information of risks for the determination of nature, period of time and necessary audit procedures that should be performed in the auditable area, taking into consideration only financial aspects.

**Approach of fraud:** Internal audit is concerned about the frauds from all activities from the organization. External audit is concerned only about the fraud from financial areas.

### **2.2.5 Type of audit performed by government auditors**

Office of Oromia Regional State Auditor General' can undertake different types of audits aimed at improving government accountability. These include :( Proclamation No. 154/2010)

- **Financial audit:** means assessing the accuracy and fairness of accounting procedures and financial statements
- **Environmental Audit** means the procedure of regular or occasional examination and assessment of regional government organizations programs, activities, or functions in relation to environment in order to provide independent opinion on the improvement of environmental protection processes.
- **Performance Audit** means program of performance of different projects, the economical, and efficient and effectiveness of designed projects
- **Control Audit** means to prevent in governmental and development offices the wrong doing of audit mislead.
- **Information System Audit** means to get information with the help of computers to provide reliable and updated information and to give independent opinion to the audit organization.
- **Fraud Audit** means detection of a deliberate act to harm another body, to obtain private advantage or to help another body obtain an advantage;

### **2.2.6 Code of Ethics for government auditors;**

As the Lima Declaration of Guidelines on Auditing Principles INTOSAI Auditing Standards Committee in June (1992). A Code of Ethics is a comprehensive statement of the values and principles which should guide the daily work of auditors. The independence, powers and

responsibilities of the public sector auditor place high ethical demands on the SAI and the staff they employ or engage for audit work. A code of ethics for auditors in the public sector should consider the ethical requirements of civil servants in general and the particular requirements of auditors, including the latter are professional obligations.

- 1. Integrity:** integrity can be measured in terms of what is right and just. Integrity requires auditors to observe both the form and the spirit of auditing and ethical standards. Integrity also requires auditors to observe the principles of independence and objectivity, maintain irreproachable standards of professional conduct, make decisions with the public interest in mind, and apply absolute honesty in carrying out their work and in handling the resources of the SAI.
- 2. Independence, Objectivity and Impartiality:** Independence from the audited entity and other outside interest groups is indispensable for auditors. This implies that auditors should behave in a way that increases, or in no way diminishes, their independence. It is essential that auditors are independent and impartial, not only in fact but also in appearance. There is a need for objectivity and impartiality in all work conducted by auditors, particularly in their reports, which should be accurate and objective. Conclusions in opinions and reports should, therefore, be based exclusively on evidence obtained and assembled in accordance with the SAI's auditing standards.
- 3. Political neutrality:** It is important that where auditors undertake, or consider undertaking, political activities they bear in mind the impact which such involvement might have - or be seen to have - on their ability to discharge their professional duties impartially. If auditors are permitted to participate in political activities they have to be aware that these activities may lead to professional conflicts.
- 4. Conflicts of interest:** Auditors should protect their independence and avoid any possible conflict of interest by refusing gifts or gratuities which could influence or be perceived as influencing their independence and integrity. Auditors should avoid all relationships with managers and staff in the audited entity and other parties which may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently.
- 5. Professional Secrecy:** Auditors should not disclose information obtained in the auditing process to third parties, either orally or in writing, except for the purposes of meeting the

SAI's statutory or other identified responsibilities as part of the SAI's normal procedures or in accordance with relevant laws.

- 6. Competence:** Auditors have a duty to conduct themselves in a professional manner at all times and to apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality. Auditors must not undertake work they are not competent to perform. Auditors should know and follow applicable auditing, accounting, and financial management standards, policies, procedures and practices.

### **2.2.7 Effectiveness of government audit**

A number of researches had been done in the area of the IA effectiveness in private and public sector. Arena and Azzone (2009) defined effectiveness as "the capacity to obtain results that are consistent with targets". Mihret and Yismaw (2007) described that Audit effectiveness could be enhanced by ensuring consistency in documenting audit work to enable improved review of audit work; proper follow-up of the status of audit findings and recommendations; increased distribution of audit reports; and further improvement in the quality of reporting.

An effective public sector audit activity strengthens governance by materially increasing citizens' ability to hold their government accountable. Auditors perform an especially important function in those aspects of governance that are crucial in the public sector for promoting credibility, equity and appropriate behavior of government officials, while reducing the risk of public corruption.(IIA, 2006).Nine Elements Required for Internal Audit Effectiveness in the Public Sector: Organizational independence, A formal mandate, Unrestricted access, Sufficient funding, Competent leadership, Objective staff, Competent staff , Stakeholder support Professional audit standards(MacRae and Gils,2016)

Effectiveness can be regarded as a composite of competence, procedural arrangements, quality control and quality assurance. The procedural arrangements can be regarded as the tools used by firms and individuals to ensure that audits comply with technical standards, i.e. legal requirements, regulators' requirements and auditing standards. (Bender, 2006)

Dittenhofer (2001) has also observed that if internal audit quality is maintained, it will contribute to the appropriateness of procedures and operations of the auditee, and thereby internal audit contributes to effectiveness of the auditee and the organization as a whole. Effective internal

audit undertakes an independent evaluation of financial and operating information, of systems and procedures, to provide useful recommendations for improvements as necessary.(Van Gansberghe, 2005). To achieve effective audit work, the auditors are required to have full and unrestricted access to all activities, records and properties, and be provided with cooperation from the auditee. The internal audit function of an organization should be given a sufficiently high status in the organizational structure to enable better communication with senior management and to ensure independence of internal audit from the auditees (Mihret and Yismaw, 2007). Cooperation of the auditee with auditor can make completion of audit easy and effective. Auditors have to follow up auditee to observe either auditee has adopted recommendations made in previous audit or not or Government auditors have proper channel and a system to follow up audit.(Masood and Lodhi,2015). Corruption is inborn characteristic of a system that can be even at personal or professional level, effectiveness of audit is hampered when auditors misuse audit facilities for their personal benefits. So many findings from the research done linked the effectiveness of the internal auditor contribution to effective management and internal control of the public sectors. Government auditors should have full independence to operate without undue pressures. In this way they can bring accountability and transparency in the public sector. Training is an important factor to upgrade skills of auditors, new audit techniques need to be learnt to make audit effective.(IBID)

Staff competency is an important key to the effectiveness of the internal audit activities (Alzeban & Gwilliam 2014).Internal auditors must collectively have the necessary education, professional qualifications, experience and training to be able to add value and improve the organization's operations (Mihret & Woldeyohannis 2008; Ali & Owais 2013).. So many findings from the research done linked the effectiveness of the internal auditors contribution to effective management and internal control of the public sector. According to Masood and Lodhi (2015),Effective government audits carry significant importance to make government entities accountable for utilization of funds for public welfare. Effective internal audit undertakes an independent evaluation of financial and operating information, of systems and procedures, to provide useful recommendations for improvements as necessary.(Van Gansberghe,2005).

Even if various researches were conducted on the current effectiveness of internal auditing in public sectors, Both internal audit and external audit profession are governed by one set of international standards issued by the professional organism specific for each profession.

This set of international standards includes the professional standards and the ethical code; Risk is a very important element the planning process for both internal and external auditors; For both professions, the independence of the auditor is very important; Internal and external audit are both concerned over the internal control system of the organization; Both functions are interested in the cooperation between internal and external auditors; For both functions, the results of their activity are presented through audit reports.(*Pop et al.,2012;IIA,2010*)

An audit is an independent examination of an entity by an auditor, who delivers reports about facts observed to the best of his knowledge. Audit is exercised to hold an organization accountable for their deeds. Audits are effective if they are strong enough to transparently highlight performance lags of government entities. An audit can be made effective if problems and issues of auditors are resolved. (Masood and Lodhi,2012;IIA,2010;Mihret & Yismaw, 2007; Gebremedhin,2018; Hailemariam,2014;Dittenhofer ,2001).Since, the definition equally serves both for internal audit and government audit, depending on the above assessed concept the researcher tried to identify four potential factors that expected to affect government audit effectiveness. Such as:

1. Government audit quality
- 2.Independency
3. Cooperation from the auditee.
- 4.Resource constraint

### **2.3 Empirical Review**

Various researches were conducted on the current effectiveness of internal auditing in the Ethiopian context(Mihret & Yismaw, 2007; Aliyi,2016; Getahun,2018; Gebre,2018; Yohannes, 2018; Hailemariam,2014). The focus of those papers looks similar in terms of sectors and types of auditors. Almost all the researches focus on public service institutions and effectiveness of internal auditors in that institution. The following section highlights some of the previous research papers on the relative subject area that the researcher analyzed as part her assessment of previous empirical evidences.

Mihret and Yismaw (2007) in their paper “Internal audit effectiveness: an Ethiopian public sector case study”, aimed at identifying factors impacting the effectiveness of internal audit services stated that Internal audit effectiveness is arguably a result of the interplay among four factors: internal audit quality; management support; organizational setting; and attributes of the auditee. The study investigated the internal audit service of large public sector higher educational Institutions using a model developed from the above mentioned four factors. The end result of the research highlighted that internal audit effectiveness is strongly influenced by internal audit quality and management support, whereas organizational setting and auditee attributes do not have a strong impact on audit effectiveness.

Getahun(2018) in her study paper “ Factors that affect the performance of internal auditors: The case of some selected Government Ministries in Ethiopia “ The study focuses onto examine the effect of internal auditor’s Competency , salary and benefit, independence, working environment, management support and influence of having industry specialization on performance of internal auditors. The study used descriptive research approach and quantitative methods of data collection. Data collected with the structured questionnaire was analyzed by both descriptive and inferential statistics. The result of correlation indicated that the correlation between dependent variable and Salary and Benefits was positively correlated which is highly correlated than the other variables. This suggests that employees (internal auditors) effectiveness decreases unless they are getting enough fair salary and benefits. So, Salary and Benefits can highly positively associate with the performance of internal auditors than the other independent variables. Moreover, all the independent variables are found to be a positive correlation with dependent variables

Gebremedhin (2018) in his research “Perceptions of Internal Auditors on the effectiveness of Internal Audit Service in Ethiopian Charities and Societies: the case of selected Foreign Charities (International Non-Government Organizations)”,The study focuses on internal auditors and supervisors. The study established an understanding of how the internal auditors in the selected charities perceive the effect of the working environment, the independence of internal auditors and technical competency on performance of internal auditors in NGOs. The Study used descriptive research design and quantitative methods of data collection. The study used primary data collected from semi-structured questionnaires and was collected from each sampled foreign

charities. The researcher analyzed the collected data using descriptive statistics and presented the data in terms of percentages, frequency distribution and tables. The end result of the research highlighted that, the working environment such as management support, availability of working resources and commitment by management contributes for the effectiveness of internal audit function. The study also shows that internal audit independence and authority in mind thought, independence in appearance and examining independence contribute for the effectiveness of Internal Audit.

The Study Conducted by Birhanu (2016) in her research paper “Factors Affecting Performance Audit Effectiveness: In Case Of Office of Federal Auditor General of Ethiopia”. Aimed at examine factors affecting performance audit effectiveness, the auditees’ duties and the public accounting committee contribution related to performance audit and its effectiveness by drawing the practice of Ethiopian Office of Auditor General. In light of this objective the study adopted quantitative method of research approaches to test a series research hypothesis. Specifically, the study used survey of questionnaire analysis of office of federal auditor general’ performance auditors, government ministry on which performance audit has been already conducted during the six years from 2009-2015 and House of peoples representative’s public accounting committees’ response. A census method was employed for all the three set of respondents. Data was then analyzed on quantitative basis using Pearson’s correlation, linear regression analysis and descriptive statistics. The end result of the research highlighted that: there is statistical significance positive relationship between legal mandates, adequate & competent professional, post audit follow ups and performance audit effectiveness. Besides, the study found that there is strongly significant positive relationship among adequate and competent professionals, post audit follow up and performance audit effectiveness.

The study conducted by Beyashe (2008) in his research paper “Challenges Faced by Ethiopian Federal Government Auditors: OFAG case study” aimed at identifying challenges faced by Ethiopian federal government public auditors in discharging their responsibilities. The study used descriptive research design and quantitative and qualitative data analysis. The study identified the following major factors: Lack of independence, Difficulty in collecting the necessary data for audit, Lack of motivation can affect government public auditors in discharging their responsibilities. The end result of the research highlighted that: lack of an opportunity to

pursue education, there is no incentive made helping them improve their educational level and there is no positive relationship between the employees' educational level and their experience, showing employees who stayed a long are still found at low educational level than new recruits. There are problems in collecting the necessary information and timely delivery of information by auditee's is very much poor. Auditors at field were lacking orientation on how to perform a given engagement, regular supervision, clear field work division and method of measuring how effective they are. Most of the auditors were not satisfied with their current salary and only eight percent of auditors have got the chance of sharing experience with other similar or different organization(s). The government system and lack of effective mandate where lead to problems of independence. public expectations of auditors' performance were different from the standard of performance, leading to an expectation gap, and the habit of working with public media's to narrow this gap is very near to the ground.

The study conducted by Masood and Lodhi (2015) investigated that Factors Affecting the Success of Government Audit in Pakistan, to identify factors influencing government audit effectiveness by considering nine interrelated factors: Resource Constraints, Training of Auditor, Auditing Technique, Massive Corruption, Power and Independence, Behavior of Auditee, Demotivation, Audit Criteria, Auditor's Follow up. They investigated as the findings of the study massive corruption, conservative auditing methods, lack of cooperation from auditee, low morale of auditors, lack of financial independence, lack of power to take action against malpractices, lack of financial, technological and human resources, lack of qualified trainers and ineffective training institutes are antecedents of ineffective audits which ultimately make it difficult to bring transparency and accountability in the public sector.

As the main aim of this research is to identify and examine factors affecting effectiveness of government audit in the case of OOAG, different authors and researcher's idea and recommendations regarding the related topics are analyzed and presented. Although, in Ethiopia the history of auditing goes back to 1930's Even if the profession has long life its development is not as expected. Because of different challenges and factors hinder the development of government audit in Ethiopia. For the ease of presenting the literature those studies regarding the main challenges and factors that influence the effectiveness of government audit such as: Government audit quality, Independency, Cooperation from the auditee and availability of the



Availability of Appropriate Resources are reviewed from different researchers are included in these literature.

### **2.3.1 Factors that Affect Effectiveness of government Audit**

Depending on the related previous studies mentioned above and Government auditing standards (GAS) the researcher try to identified four potential factors that expect to affect government audit effectiveness: 1.Government audit quality 2.Independency 3.Cooperation from the auditee 4. Availability of Appropriate Resources.

#### **2.3.1.1 Government Audit Quality**

As stated by Government audit standards (GAS), 1993) audit quality can obtain by staff qualification and continuing education. The staff assigned to conduct the audit should collectively possess adequate professional proficiency for the tasks required. This standard places responsibility on the audit organization to ensure that each audit is conducted by staff who collectively have the knowledge and skills necessary for that audit. They should also have a thorough knowledge of government auditing and of the specific or unique environment in which the audited entity operates, relative to the nature of the audit being conducted. The qualifications mentioned here apply to the knowledge and skills of the audit organization as a whole and not necessarily to each individual auditor. An organization may need to employ personnel or hire outside consultants knowledgeable in such areas as accounting, statistics, law, engineering, audit design and methodology, automated data processing, public administration, economics, social sciences, or actuarial science. To meet this standard, the audit organization should have a program to ensure that its staff maintain professional proficiency through continuing education and training.(GAS,1993).

The office's ability to properly plan, perform and communicate the results of audits is a proxy for audit quality. Therefore, audit quality is arguably a function of extensive staff expertise; reasonableness of the scope of service; and effective planning, execution and communication of internal audits.(Mihret & Yismaw, 2007)

Training of Auditors is an important factor to upgrade skills of auditors. New audit techniques need to be learnt to make audit effective. Training institutes are developed to train auditors, but

they are not up to the mark. One of auditors said that, “Effectiveness of these institutions is not up to the mark. Trainers of institutions either qualitatively or quantitatively are inefficient. Lack of Qualified trainers hampers purpose of these institutes. Short courses for training of trainees were introduced, but they are still not up to mark. Intensive training is required. Applicability of skills learned through training institutes is low( Masood and Lodhi ,2015)

So, audit quality is necessary for the achievement of effective function of both internal and external audit. It may obtain by staff qualification and continuing education and short term training.

### **2.3.1.2 Independence**

AFROSAI-E (2013) describes independency of the auditor, Independence from the audited entity and other outside interest groups is indispensable for auditors. Auditors should also be objective and impartial in dealing with the issues and topics under review.

Auditors have an obligation to refrain from becoming involved in all matters in which they have a vested interest. There is a need for objectivity and impartiality in all work conducted by auditors, particularly in their reports, which should be accurate and objective. Conclusions in opinions and reports should therefore be based exclusively on evidence obtained and assembled in accordance with the applicable auditing standards.

Auditors should make use of information brought forward by the audited entity and other parties. This information is to be taken into account in the opinions expressed by the auditors in an impartial way. The auditor should also gather information about the views of the audited entity and other parties. However, the auditor’s own conclusions should not be affected by such views.

Auditors have no powers to take actions against malpractices, they just have to report audit findings to management. They have to put forward their recommendations to rectify auditee organization (Masood and Lodhi, 2015)

The external audit lends credibility to the financial reporting process of state and local governments, and an essential element of that process is the independence of the external auditors from the governments they are auditing. Otherwise, those who use governmental

financial statements cannot rely on the integrity and objectivity of the auditors' report.(Blann, 2012)

Government auditors, including hired consultants and internal experts and specialists, need to consider three general classes of impairments to independence--personal, external, and organizational. If one or more of these impairments affects an auditor's ability to do the work and report findings impartially, that auditor should either decline to perform the audit, or in those situations where that auditor cannot decline to perform the audit, the impairment(s) should be reported in the scope section of the audit report. Also, when auditors are employees of the audited entity, that fact should be reflected in a prominent place in the audit report. Auditors should also be sufficiently removed from political pressures to ensure that they can conduct their audits objectively and can report their findings, opinions, and conclusions objectively without fear of political repercussion.(GAS, 1993).

#### **2.3.1.3 Cooperation From The Auditee**

Cooperation and positive relation among auditors and auditee is very much important in order to collecting the necessary information and timely delivery of information (Beyashe, 2008)

*Amiruddin (2017)* discussed that the performance of the auditor is influenced by various factors, such as unethical behavior and the tendency of accounting fraud committed by the client to cooperate with the auditor for a particular interest. This causes the performance of auditors to be questioned by the general public and cause distrust of the auditor's performance. Therefore, the auditor in performing his or her work shall be guided by the audit standard that serves as a guide and guidance for all members of the auditor's organization in compliance with the code of ethics and performs the professional duties and obligations as contained in the code of conduct for the accountant. By adhering to auditing standards, accountants are expected to demonstrate a high commitment in backing provide services to users of professional services.

Cooperation of auditee organization with auditor can make completion of audit easy and effective, “Auditee doesn’t cooperate and never willing to be audited. Limited access to records and intentional delays in production of records by auditee cause audit to be ineffective”. (Masood and Lodhi, 2015)

Much of the benefit from audit work is not in the findings reported or the recommendations made, but in their effective resolution. Auditee management is responsible for resolving audit findings and recommendations, and having a process to track their status can help it fulfill this responsibility. If management does not have such a process, auditors may wish to establish their own. Continued attention to material findings and recommendations can help auditors assure that the benefits of their work are realized. (GAS,1993)

#### **2.3.1.4 Availability of the Appropriate resources**

Resources are the backbone of any organization. Resources can be categorized in terms of financial resources, human resources and technological resources. Appropriate budget is not allocated for an audit, so they are unable to have laptops and internet facilities. Auditors are not paid allowances in time. Time allotted to conduct audit has been always short enough that they are unable to complete audit of an entity. Human resources, financial and non-financial resources, volume of work in proportion to man days, transport, Internet and laptop facilities need considerable attention. Logistics and office stationery, laptops, internet access, supportive environment, conveyance, travelling and dearness allowance must be provided to conduct audit effectively. Another important issue was related to time period available to complete the audit. Moreover, staff is competent to conduct audit effectively, number of staff is low.( Masood and Lodhi ,2015). According to Kenneth and Rick (1998) inadequate compensation, on the other hand, can have the following consequences: Difficulty to attract new talent , Difficulty to retain the most talented ,Difficulty to motivate performance, Promote regular compensation surveys/adjustment, Identify alternative compensation strategies and Alternative forms of recognition. Lack of authority for budget administration adversely influences performance of the internal audit office. (Mihret and Yismaw, 2007)

#### **2.4 Gaps in the literature and conclusion**

This literature review chapter is argued four potential factors related with the effectiveness of government audit. These are; audit quality, Independency, Cooperation from the auditee and Resource constraint. Effective government audit can add value to the public sector and its audit activity strengthens governance by materially increasing citizens' ability to hold their government accountable.

According to the literature review, the researcher suggests the following gaps in the literature:

- ✚ In past decades, various researches were conducted on the current effectiveness of internal auditing in the Ethiopian context and concerned to establish the factors that affecting effectiveness of internal audit in public sectors (Mihret & Yismaw, 2007; Aliyi,2016; Getahun,2018; Gebre,2018; Yohannes, 2018; Hailemariam,2014). But they do not considering to identify factors that affect effectiveness of government audit.
- ✚ A few studies have been conducted to investigate that Challenges Faced by Ethiopian Federal Government Auditors specifically challenges of performance audit: OFAG case study” aimed at identifying challenges faced by Ethiopian federal government public auditors in discharging their responsibilities.(Beyashe,2008; Biranu,2016; H/Mariam,2018).
- ✚ But as per researcher’s knowledge, no extensive research had been conducted on the title under consideration in Ethiopia and specifically Office Of Oromia Auditor General (OOAG) no prior research is conducted to explore factors which affect effectiveness of government audits in Ethiopia to achieve their goals and on how audit quality, independency, cooperation with the auditee and resource constraint affect effectiveness of government audit.

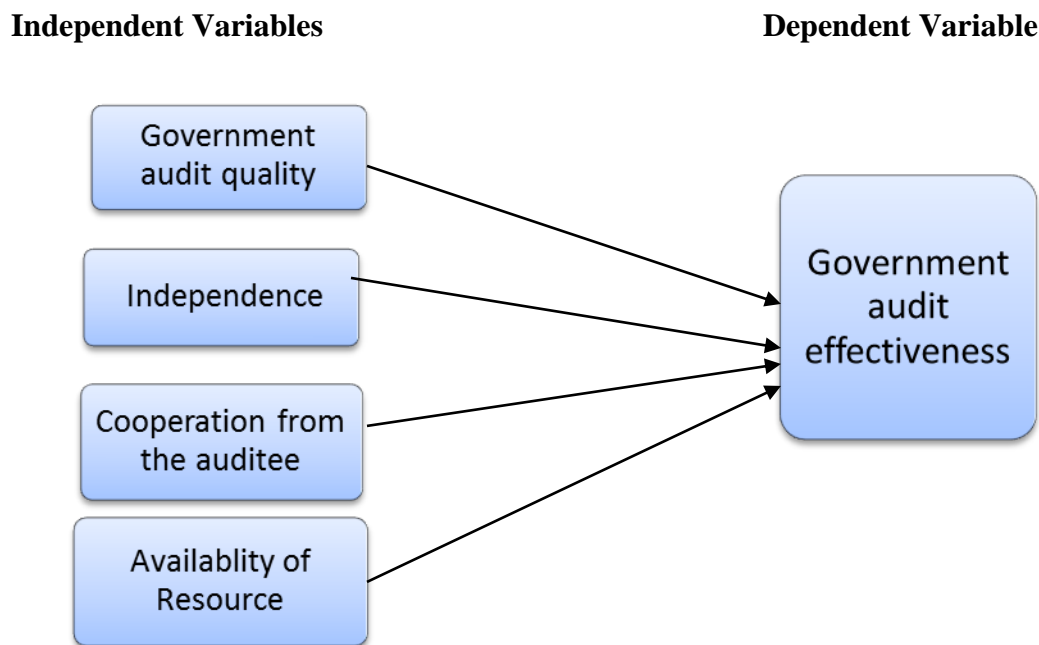
Taking these considerations into account, this study was tried to identify the factor affecting effectiveness of government audit in Office of Oromia Auditor General (OOAG), Ethiopia and how audit quality, independency, cooperation with the auditee and resource constraint can affect effectiveness of government audit. These expected factors are identified depending on the previous related studies listed in literature review chapter. And To recommend the ways for solving problems identified. As the result this study was intend to fill the knowledge gaps and enhance a similar study to be done on government audits.

## **2.5 Government audit effectiveness framework**

Beyashe (2008) point out from Challenges Faced by Ethiopian Federal Government Auditors point of view: Lack of independence, Difficulty in collecting the necessary data for audit and Lack of motivation can affect government public auditors in discharging their responsibilities. An audit is an independent examination of an entity by an auditor, who delivers reports about facts observed to the best of his knowledge. Audit is exercised to hold an organization accountable for their deeds. Audits are effective if they are strong enough to transparently highlight performance lags of government entities. An audit can be made effective if problems

and issues of auditors are resolved. (Masood and Lodhi, 2012; IIA, 2010; Mihret & Yismaw, 2007; Gebremedhin, 2018; Hailemariam, 2014; Dittenhofer, 2001). Since, the definition equally serves both the internal audit and government audit; this study adopted and modified the following conceptual framework on the factors determining effectiveness of government audit. It is stated below: government audit effectiveness as dependent variable and the audit quality, independency, cooperation from the auditee and resource constraint as independent variables.

**Figure. 2.1: Conceptual frame work for the Factors that Affecting the Effectiveness of government Audit.**



**Source: Adopted from (Masood & Lodhi, 2015; Beyashe, 2008) and modified by researcher.**

The model is formulated for this research in order to test the research hypothesis set earlier. Most of the independent variables included in the model are extensively used in prior audit researchers (Beyashe, 2008; Masood and Lodhi, 2015) except the government audit quality. So the model was considers four potential independent factors – government audit quality, independency, cooperation from the auditee and resource constraint to explain government audit effectiveness, and shows how the interaction of these factors improves government audit effectiveness.

## **2.6 Summary of the Chapter**

This chapter covered related literature review with an aim of identifying knowledge gaps. The section basic concept of the auditing, meaning and objective the audit, types of auditors, Internal versus External Auditor, Type of audit performed by government auditors, Effectiveness of government audit, Government audit effectiveness framework, empirical studies on relevant issues, and also potential factors that may have influence on the effectiveness of GA such as; audit quality, independency, cooperation with the auditee and resource constraint are identified. The gap that this study intends to fill, the gaps in the literature and conclusion are included in this chapter. Finally, this paper presents the relationship between potential factors and government audit effectiveness in the OOAG, Ethiopia. The following chapter provides details of the research methods in respect of the identified research problem.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Research Design

Research design is the blueprint for fulfilling research objectives and answering research questions. In other words, it is a master plan specifying the methods and procedures for collecting and analyzing the required information. In addition, it must ensure that the information collected is appropriate for solving a problem (Adams et al., 2007). The general objective of this study was to examine the factors that affect the effectiveness of government audit in the case of Oromia Auditor General Office. In order to answer the basic research question raised above the researchers used explanatory type of research method. Explanatory research attempts to clarify why and how there is a relationship between two aspects of a situation or phenomenon. (Kumar, 2011) is an attempt to connect different ideas and to understand the different reasons, causes, and their effects. Mostly the research starts from exploratory research, then descriptive research and then explanatory research. Explanatory research is the attempt to find the question of why? (Akhtar, 2016).

This study adopted a quantitative research approach. The quantitative approach uses statistical methods in describing patterns of behavior and generalizing findings from samples to the population of interest and employs strategies of inquiry such as experiments and surveys. If the research problem is wants to identify factors that influence an outcome, or understanding the best predictors of outcomes, then a quantitative approach is the best choose. (Creswell, 2003).

#### 3.2 Sample design and Target population

The Office of Oromia Auditor General has one main office at Addis Ababa and five branches at Bule Hora, Jimma, Nakemte, Shashemene and Ciyo. Currently, the organization has **313** employees of which **95** were supportive staffs and the remaining **218** were auditors and which currently engaged directly in the actual audit work at field. Structured questionnaires were used to gather data from the respondents of the government auditors.



### 3.3 Sample size

Based on the population, the sample had been calculated by using the Slovin's Formula, Which is used to calculate the sample size (n) given the population size (N) and a margin of error  $e=$  (0.05) or allowance for random error.  $n=N/(1+Ne^2)$ . By using this formula the total sample from the population was calculated as follows :

Total of population were 218 auditors from OOAG, which is the target population. To find the total sample (n) had been calculated as follows:

$$n=218/(1+218*0.05^2)=218/1.545= 141.$$

So, questionnaires were distributed randomly to 141 auditors of OOAG (64.67% of the target population, i.e.218).

### 3.4 Data source and data collection instrument

The study was used primary source of data which is relied on the auditors of the office of Oromia Auditor General (OOAG) and was conducted through distributing structured questionnaires. Some of the questionnaires had been adopted, modified and used by the researcher, were first developed by other researchers on related topics. (Masood and Lodhi, 2015; Mihret and Yismaw, 2007; Beyashe, 2008). The questionnaires were contained two sections. Section A sought to establish the respondents' demographic information, section B sought to establish factors affecting effectiveness of government audit and effectiveness of government audit. The questionnaires were prepared in the form of Likert-Scale type (showing respondents agreement or disagreement) by constructing into five point scale where the lowest scale represent strongly disagree and the highest scale represent strongly agree (Likert, 1932). The administration of the questionnaires was by the "drop and pick" method that allowed respondents sufficient time to complete the questionnaires and to reduce disruptions on the respondents' routines.

The questionnaires were structured to answer the inquiry questions based on a 5 point Likert scale questions which were close ended to give the respondents limited and pre-determined responses to choose from. The questionnaires were made of simple and easy for the respondents to answer. Respondents' anonymity was ensured by giving questionnaires unique numbers which only the researcher understands their meaning. A clear explanation through face to face

discussion and telephone conversation were given to respondents as to how they are to benefit from the research all these was aimed at ensuring a high response rate.

### **3.5 Pre-testing (Validity and reliability)**

The questionnaires was pre-tested to ascertain the suitability of the tool before the actual administration. According to Cooper and Schindler (2010), the reason for conducting pilot testing is to detect weakness in design and instrumentation and to provide proxy data for selection of a probability sample. Pre-testing was done by administering the questionnaire to 10 respondents who will not be included in the actual study. This enabled the researcher to fine tune the questionnaire for objectivity and efficiency of the process and to better restructure questions to ensure clarity on each question. The questionnaire was designed to take an average of fifteen minutes to complete for the respondents.

### **3.6 Method Of Data Analysis And Interpretation**

The data was analyzed using Statistical Package for Social Sciences (SPSS Version 20) program. Both quantitative analysis and regression analysis were used as data analysis technique. The data collected was run through various models so as to clearly bring out the effect of independent variables on dependent variables. Multiple linear regression models were used to analyze the regression equation. Multiple Regression Analysis refers to a set of techniques for studying the straight-line relationships among two or more variables. Multiple regression estimates the  $\beta$ 's in the equation.(Kim, 2017).Whereas, to determine the relationship among the variables and to test the research hypothesis regression analysis method was used by meeting the ordinary least square (OLS) assumptions of the linear regression. The reason for using OLS offers the most reliable way in predicting the relationship between dependent variable and independent variable which is the main objective of this study.

In addition to the data collected by using the above methods, professional articles, auditing standards, accounting principles, ethnical rules and other related issues was used in analyzing the data. Since the focus of this study is to identify factors affecting effectiveness of government audit. Government audit (GA) effectiveness is dependent variable and audit quality,

independency, cooperation from the auditee and availability of the resources areas independent variables.

### 3.6.1 Conceptual Model for Multiple Regression Analysis

The following model is formulated for this research in order to test the research hypothesis set earlier, where effectiveness of government audit (EGA) is a function of audit quality (AQ), independency (IND), Cooperation from the Auditee(CFA) and Availability of appropriate Resources (AR): Most of the independent variables included in the model are extensively used in prior audit researchers (Beyashe, 2008; Masood and Lodhi,2015) except the government audit quality. So the reliability and validity of the model was recognized and used in this research is to analyze and interpret the result of the study.

$$y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \epsilon \dots\dots\dots(1)$$

The following regression model was used to perform data analysis

$$EGA = \alpha + \beta_1AQ + \beta_2IND + \beta_3CFA + \beta_4AAR + \epsilon \dots\dots\dots(2)$$

Where:

EGA → Effectiveness of Government audit

AQ → Audit quality

IND → Independency

CFA → Cooperation with the auditee

AAR → Availability of appropriate Resources

ε → Error terms

α → is a constant, represents the effectiveness of GA when every independent variables are zero.  
 B1-4 → is the coefficient, in which every marginal change in variables on government auditor's effectiveness affects correspondingly.

**Under the assumptions of:**

- ✓  $\epsilon \sim N(0, 1)$  mean zero and variance 1
- ✓ Linear relationship between outcomes( y ) and explanatory variable(x)
- ✓ Outcome variable(y) should be Normally distributed for each value of explanatory variable(x)
- ✓ Standard deviation of(y) should be approximately the same for each value of(x)
- ✓ Fixed in dependent observations.
- ✓ The observations (explanatory variables) should be independent.

To ensure that the data suits the basic assumptions of multiple linear regression model, tests for the assumption was managed in this study those are: Heteroskedasticity test, Autocorrelation test, Normality test and test for Multicollinearity.

## **CHAPTER FOUR**

### **4. Research Findings: Analysis and Discussion**

As indicating in the previous chapter, the main attempt of this study is to identify and examine the factors that affect the effectiveness of government audit in the case of Office Oromia Auditor General (OOAG). Therefore, this chapter presents the analysis and discussions for research findings obtained from the questionnaires and reports the investigation results obtained from government auditors of OOAG covered in the questionnaires. 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. The results of the reliability analysis and the regression assumption test also reported and finally the results of hypothesis testing are presented.

#### **4.1. Descriptive Statistics**

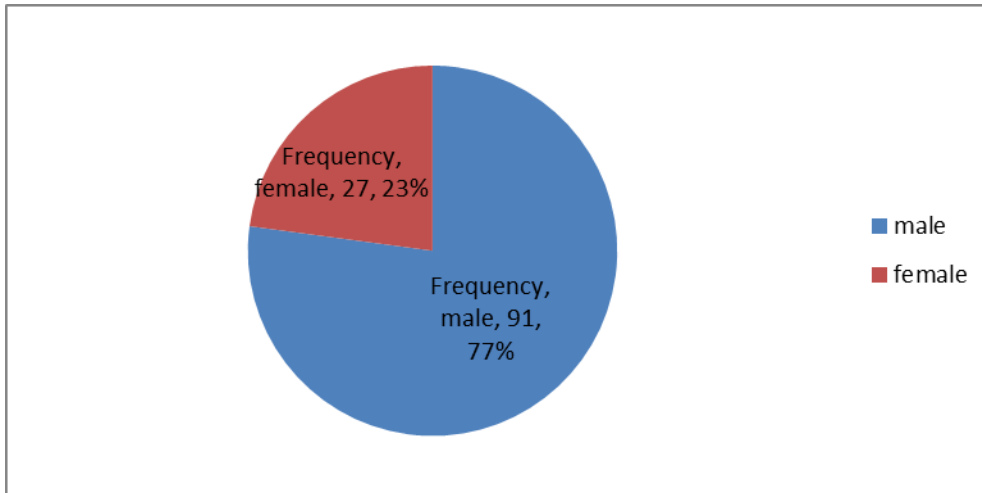
##### **4.1.1. Data Collection and Response Rate**

The questionnaires were distributed to government auditors of Oromia auditor general office. In total, 141 questionnaires were distributed to the sampled respondents and 118 were received back which is the responses representing a response rate of around 83.69%. According to Mugenda (2003) a response rate of over 60% of the respondents is considered adequate. This shows good response rate for government auditors. High response rates reduce the risk of bias in the responses.

##### **4.1.2. Demographic Information**

###### **4.1.2.1. Sex of the Respondents**

Sex is an important variable in a given the social situation which is variably affected by any social or economic phenomenon and globalization is not an exception to it. Hence, the variable gender was investigated in this study. Data related to the gender of the respondents is presented in figure.4.1 below.



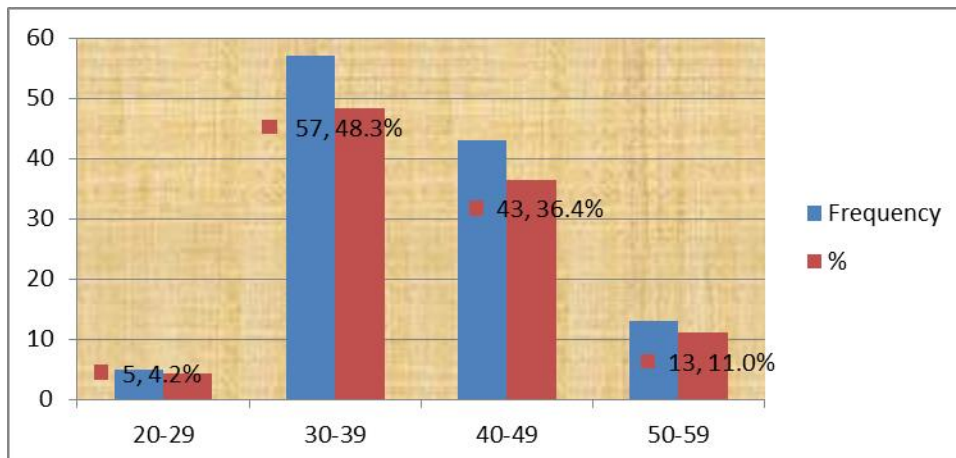
**Figure 4.1 Respondents Gender distribution**

**Source:** Survey data, 2019

As pertaining on figure 4.1 respondents' sex categories, the percentage of male auditors involved in government auditing job is 91(77%) and the number and percentage of female respondents were 27(23%) , it indicates that there is no gender distribution problem to fill the questioners.

#### 4.1.2.2. Ages of the respondents

Age of the respondents is one of the most important characteristics in understanding their views about the particular problems. Age indicates the level of maturity of a person in that sense age becomes more important to examine the response.



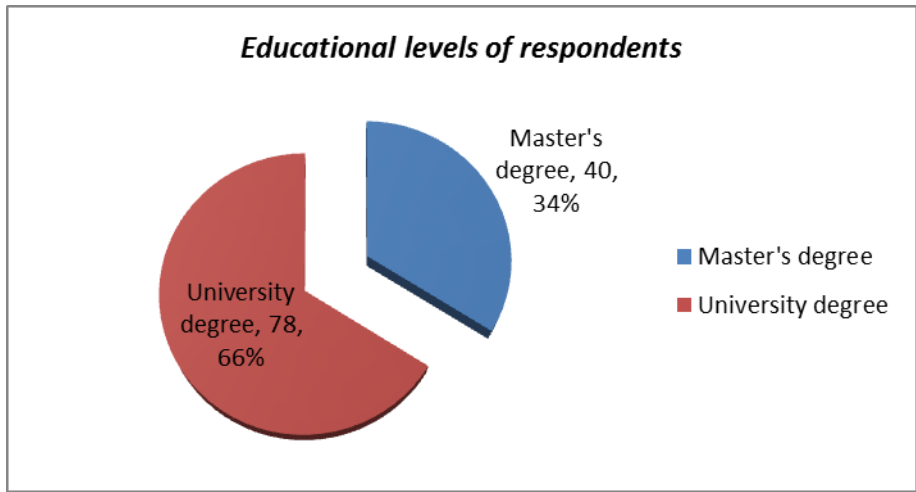
**Figure 4.2: Respondents age distribution**

**Source:** Survey data, 2019

As pertaining on figure 4.2 The majority of the ages of respondents are fall under the age of 30 39 (57, 48.3%) and 40-49 (43, 36.40%), the rest falls in the age interval of 50–59 (13, 11%) and 20-29 (5, 4.2%), this implies that majority of the age group of the auditors were found in youth and middle age or they are in productive ages and mature to understanding and answering the questioners well.

#### 4.1.2.3. Educational levels of the respondents

Education is one of the most important characteristics that might affect the person’s feelings and the way of observing and understanding any particular social occurrences. On top of that, the response of an individual is likely to be determined by the individuals’ educational status and therefore it becomes significant to know the educational background of the respondents

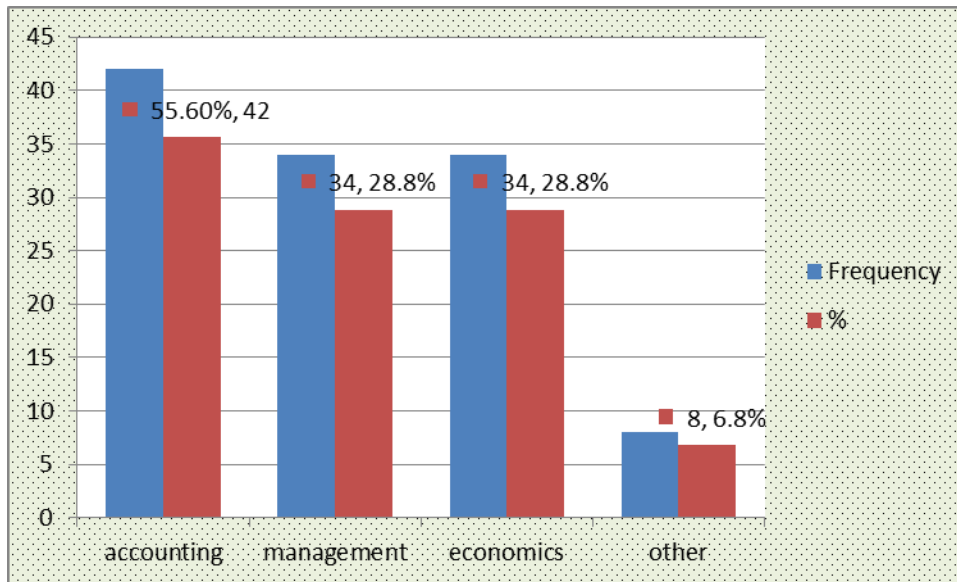


**Figure 4.3: Educational levels of respondents**

**Source:** Survey data, 2019

As the figure 4.3 above depict that 78(66%) of the participants have got their Bachelor degree, 40(34%) of the participant have got their master’s degree. From this we can conclude that the respondents were educated and their educational level may help them to respond with good understanding of the questioners and help to some extent to obtain complete information.

#### 4.1.2.4. Respondents' field of study



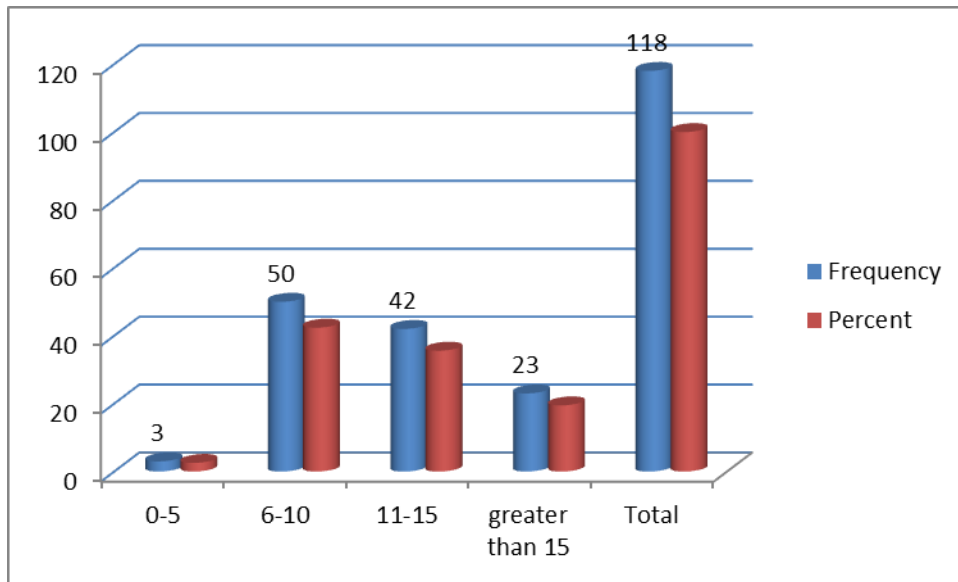
**Figure 4.4: respondent's field of study**

**Source:** Survey data, 2019

As it showed at figure 4.4.above 42(55.60%) of the participants of the study units were came from accounting field of study, 34(28.80%) economics field of the study and 34(28.80%) from management field of the study the remaining 8(6.80%) respondent came from other business related fields. From this information, it is possible to conclude that the majority of the participants of the study were came from school of business and Economics, they can easily understand the term of auditing used in questioners.



#### 4.1.2.5. Respondents' work experiences



**Figure 4.5 respondents' work experience**

**Source:** Survey data, 2019

As the figure 4.5 above depict that the majority of the participants 50(42.40%) got work experience of 6-10 years, 42(35.60%) of participants have got the experience of 11-15 years, 23(19.50) respondents have got a work experience of more than 15 years and few of the participants, 3 (2.50%), worked from 0 to 5 years of age. Thus, it is possible to conclude that the majority of respondents were having good work experience for the fields of stream so it may help them to respond good understanding of the existing problem and to give complete information.

#### 4.1.2.6. Reliability Analysis

To measure the consistency of the questionnaire particularly the Likert-type scale the reliability analysis is essential in reflecting the overall reliability of constructs that it is measuring. To carry out the reliability analysis, Cronbach's Alpha ( $\alpha$ ) is the most common measure of scale reliability and a value greater than 0.700 is very acceptable (Field, 2009; Cohen and Sayag, 2010) and according to Cronbach's, 1951), a reliability value ( $\alpha$ ) greater than 0.600 is also acceptable.

**Table 4.1 Reliability Statistics**

5. Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.768	.710	9

Sources: survey data, 2019 SPSS output.

From table 4.1 above, the value for Cronbach's Alpha ( $\alpha$ ) was 0.768 for all variables. When these calculated reliability values are greater than 0.7000, and compared with the minimum value of alpha 0.700 advocated by Cronbach's (1951), then the responses generated for all of the variables' used in this research were reliable enough for data analysis.

#### **4.4 Assessment of Ordinary Least Square Assumptions**

##### **4.4.1. Assessment of Normality**

Since this study employs quantitative data analysis, two statistical values were checked to assess the normality of the distribution of the variables: Skewness and kurtosis. Skewness is a measure of how responses are distributed, while kurtosis is a measure of how responses cluster around a central point for a standard distribution (Stern, 1977) A criterion from the literature is that a Skewness statistic bigger than 3.0 or a kurtosis statistic bigger than 8.0 would imply that the distribution is non-normal (Kline, 2005). The Skewness and kurtosis statistics for all variables in this study were within these acceptable ranges of normality as shown on Table4.2 below.

**Table 4.2 Assessment of normality**

Variables	Observation	Skewness	Kurtosis
1. Effectiveness of government audit	118	(0.53)	(0.15)
2. Audit quality	118	(0.25)	(0.312)
3. Independence	118	(1.08)	(0.312)
4. Cooperation from the auditee	118	(0.54)	1.22
5. Availability of appropriate Resources	118	(0.57)	(0.01)

Sources: survey data, 2019 SPSS output.

#### 4.4.2. Assessment of Heteroskedasticity

**Table 4.3 Test of Heteroskedasticity**

estat hettest
Breusch-Pagan / Cook-Weisberg test for Heteroskedasticity
Ho: Constant variance
Variables: fitted values of GAE
$\chi^2 = 0.1800$
Prob> $\chi^2 = 0.7894$

Source: Survey data, 2019 Stata output.

For the regression output of the model Breusch-Pagan/Cook-Weisberg test for Heteroskedasticity was conducted on STATA 11 to test for homogeneity of variance and a P-value of greater than 0.05 were acceptable. As the result revealed in table 4.3 above and Appendix C, p value (= 0.7894) for the model is greater than 0.05 the critical value, shows homogeneity of variance across the model.

#### 4.4.3. Assessment of Multicollinearity

Multicollinearity exists when there are strong correlations among the predictors and the existence of r value greater than 0.80, tolerance value below 0.10 and Variance Inflation factor (VIF) greater than 10 in the correlation matrix are the causes for the Multicollinearity existence (Field, 2009; Myers,1990; Pallant, 2007). Tolerance is a statistics used to indicate the variability of the specified independent variable that is not explained by the other independent variables in the model.

**Table 4.4 Collinearity Statistics**

variables	Collinearity statistics	
	Tolerance	VIF
Audit quality	.604	1.655
Independency	.826	1.211
Cooperation from the auditee	.805	1.242
Availability of Appropriate Resources	.721	1.387

Source: Survey data, 2019 SPSS output

As shown in the Collinearity table, the tolerance levels for all variables are greater than 0.10 and the VIF value are less than 10 (see table 4.4 above), and also the correlation matrix of all the variables have the paired values among the predictors are less than 0.80 (see table 4.5 below) indicates that there were no Multicollinearity problems that alters the analysis of the findings, rather it leads to the acceptance of r value, tolerance and VIF values.

#### **4.4.4. Assessment of Autocorrelation**

Data were assessed to ensure that the autocorrelation is not a threat for the use of OLS for analysis. This assumption can be tested with the Durbin-Watson test which test for serial correlation between errors and the value closer to 2 are acceptable (Field, 2009). As described on table 4.5 below, the Durbin-Watson statistics value are 1.952 very close to 2 suggests that there is no severe autocorrelation among error terms.

### **4.5 The Regression Results and Hypothesis Testing**

The regression result that are obtained by regressing the Government auditors effectiveness in identifying noncompliance activities and the government auditors ability in adding value for the audited organization on the audit quality (AQ), Independency(IDP) ,Cooperation from the auditee (CFA) and Availability of Resource (AR) were analyzed and reported. Finally, the hypothesis tests were undertaken based on the proposed hypothesis and the regression output results.

#### **4.5.1 Regression Results for Government Audit Effectiveness(GAE)**

The regression result explores the necessary indicators of the government audit effectiveness by using the variables identified in the model. As indicated in the model summery (table 4.5) the appropriate indicators of the variable used to identify the GAE were explored. That is, the value of R square used to identify how much of the variance in the dependent variable (GAE) identify by the model. The larger the value of R square, the better the model is.

**Table 4.5 Regression result for GAE**

R=0.743		R <sup>2</sup> =0.551		Adj. R <sup>2</sup> =0.507		Std. Error of the Estimate = 2.7287	
Durbin-Watson (d) = 1.952		F = 12.292		P = .000			
Variables	Unstandardized Coefficients		Standardized Coefficients	t-value	Sign.	Collinearity statistics	
	B	Std. Error	Beta			Tolerance	VIF
Constant	29.676	5.984		4.959	.000		
GAQ	1.705	.202	.424	3.481	.001**	.604	1.651
IND	.047	.168	.029	.282	0.779	.826	1.121
CFA	1.196	.191	.698	6.257	.000**	.721	1.387
AAR	1.155	.298	.423	4.208	.000**	.890	1.124

\*\*P< 0.01, 95% level of Confidence, N = 118

Source: Survey data, 2019 SPSS output

Moreover, as the model summary shows at table 4.5 above, the significance of the model by the value of F-statistics (P =.000) and F = 12.292 which implies that there were strong relationship between the predictors and the outcomes of the regression variables and are at best fit the model to predict the effectiveness of government audits in the public sector. The beta ( $\beta$ ) sign also shows the positive or negative effect of the independent variables coefficient over the dependent variable. And as shown in table 4.5 above, beta sign of all the independent variables shows the positive effect of the predicting dependent variable That means, any increase in the independent variables lead to increase in the dependent variable government audit effectiveness.

Therefore, based on the coefficients of the dependent variable ( $\beta$  sign) all the hypotheses proposed by the researcher are acceptable because of all the four hypotheses stated the positively relationship with the dependent variable are meet. But based on the statistical significances of the independent variable over the dependent variable at 5% level of significance, only three independent variables (GAQ, CFA and AR) are significantly contributed for the GAE at (P<0.01) level of confidence.

Thus, this implies the Government audit quality, Cooperation from the auditee and Availability of appropriate , are the most important determinants of GAE in which the Office Of Oromia Auditor General (OOAG) and other stake holders should give more emphasis in the government audit function.

The remaining one independent variables (independency of the government audit ) has not significant contribution for the predicted dependent variable (GAE) because it has a sig. value of greater than 5% (0.779). The variable with the level of significance (sig) value less than 5% could make a significance unique contribution to the predicted value of the dependent variable, beyond this level of sig. the variable are not making a significance contribution for the prediction of the dependent variable (Pallant, 2007; Somekh and Lewinn, 2005).

#### **4.5.2 Hypothesis testing**

The regression analysis results which are presented in table 4.5 above provides a more comprehensive and accurate examination of the research hypothesis. Therefore, the regression results obtained from the model were utilized to test these hypotheses. The hypotheses sought to test for a significant influence of government audit quality (GAQ), independency (IND), Cooperation from the auditee (CFA) and Availability of Appropriate Resources (AAR) on the direct effect of government audit effectiveness which was measure in terms of government auditor's ability to identify the noncompliance activities and by their added contributions to the public sector.

As can be seen in table 4.5 above the p value for the GAQ, CFA and AAR are statistically significant at ( $p < 0.01$ ) which suggests a strong support for hypothesis 1, 3 and 4; whereas, IND is not supported the developed hypothesis (hypothesis 2) because it was statistically insignificant at ( $p < 0.05$ ).The following hypotheses test were conducted based on the regression results of the government audit effectiveness obtained from the regression output.

**H1:** The government audit quality is positively related to the government audit effectiveness in the Office of Oromia Auditor General.

The first hypothesis of this research posted that the effectiveness of the government audit is directly related with the extent of audit quality it obtains. Showing the strongly relationship between the GAE and the government audit quality, the positive beta sign and a statistically significant result of government audit quality related with the government audit effectiveness ( $\beta = 1.705$ ,  $t = 3.841$ ,  $P < 0.01$ ) support the proposed hypothesis acceptable.

According to (GAAS, 1993) Audit quality can be obtained by staff qualification and continuing education through long term and short term training and the staff assigned to conduct the audit should collectively possess adequate professional proficiency for the tasks required. This standard places responsibility on the audit organization to ensure that each audit is conducted by staff who collectively have the knowledge and skills necessary for that audit. They should also have a thorough knowledge of government auditing and of the specific or unique environment in which the audited entity operates, relative to the nature of the audit being conducted.

Therefore, the improved government audit quality can contribute for the effective result of the government auditors through the audit organization (OOAG) having a program to ensure that the auditors maintain professional proficiency through continuing education, long term and short term training and invests consistently in improving the audit work and development of Auditing and this in turn strongly supports the first proposed hypothesis (H1).

**H2:** Independence of the government auditor is positively related to the government audit effectiveness in the OOAG.

The second hypothesis of this research revealed that there was the direct relationship between the independency of government auditor and the effectiveness of GA in the way of identifying noncompliance activities and the ability of GA to add value to the GAE. This hypothesis was not supported by the regression result as of the regression results insignificant related with the GAE at ( $P < 0.05$ ). As shown in table 4.5 above the coefficient of IND ( $\beta = 0.047$ ) were positively related but statistically ( $t = .282$ ,  $\rho > 0.05$ ) not significant related with the government auditors effectiveness by identifying noncompliance activities and in adding more values to the GA works of the public sector offices.

Therefore, the independency of government auditors' values, results in statistically insignificant contribution for the government auditors ability in identifying the noncompliance activities and their added contribution to the end objective of effective government audit activities in public sectors office. Even if this variable has a coefficient of positively related with the effectiveness of government audit as a result of its insignificant regression analysis output result leads not to support the proposed hypothesis (H2).

**H3:** Cooperation from the auditee has positive impact with the government audit effectiveness in the OOAG.

The third hypothesis of this research posted that the effectiveness of the government audit is directly related with the cooperation from the auditee. Showing the strongly relationship between the GAE and the CFA, the positive beta sign and a statistically significant result of cooperation from the auditee related with the government audit effectiveness ( $\beta = 1.196$ ,  $t = 6.257$ ,  $P < 0.01$ ) support the proposed hypothesis acceptable. Cooperation and positive relation among auditors and auditee is very much important in order to complete the audit work effectively. According to GAAS (1993) much of the benefit from audit work is not in the findings reported or the recommendations made, but in their effective resolution. Auditee management is responsible for resolving audit findings and recommendations, and having a process to track their status can help it fulfill this responsibility.

The result were consistent with the previous auditing research works of (Beyashe, 2008; Masood and Lodhi, 2015) they find that Cooperation and positive relation among auditors and auditee is very much important in order to collecting the necessary information and timely delivery of information and make completion of audit easy and effective. Auditors have to follow up auditee to observe either auditee has adopted recommendations made in previous audit or not. Government auditors have proper channel and a system to follow up audit can contribute to the effectiveness of government audit works.

Therefore, the Cooperation from the auditee can contribute for the effectiveness of government audit by having willingness to be audited, Cooperation and positive relation among auditors and auditee, having positive attitude towards government audit, improving appropriate documentation and other information in the auditee, giving Enough, sufficient and real interpretation on time to the audit finding before exit and giving attention for resolving audit findings and recommendations, within a given time and this in turn strongly supports the third proposed hypothesis (H3).

**H4:** Availability of Appropriate Resources have positively related to government audit effectiveness in the OOAG.



The last hypothesis which is proposed to support the effectiveness of government audit is the existence of appropriate resource in the office of Oromia auditor general(OOAG) . The regression output result also supports this hypothesis with significantly correlated variables with the level of significance ( $p < .01$ ) and the positively related coefficients ( $\beta = 1.255$  and  $t = 4.208$ ) contributes for the government audit effectiveness. This indicates the significant impacts of AR to increase the ability of government auditors to identify the noncompliance activities and the more contribution to the Auditee H4 accepted.

The result were consistent with the previous auditing research works of (Masood and Lodhi, 2015) according to the authors Appropriate budget should be assigned , appropriate number of employees should be hired . Human resources, financial and non-financial resources, volume of work in proportion to man days, transport, Internet and laptop facilities need considerable attention. Logistics and office stationery, laptops, internet access, supportive environment, conveyance, travelling and dearness allowance must be provided to conduct audit effectively. Another important issue was related to time period available to complete the audit. Moreover, staff is competent to conduct audit effectively.

Therefore, the existence of appropriate resources for government audit in the office of auditor general contributes for the effectiveness of government audit works by facilitating the activities of government auditors and to make their purpose and authority in line with the standards for the professional practices formulated by the International GAAS in accordance to the rules and regulations of the organization. This strongly supports the proposed hypothesis of the positively related relationship between the availability of appropriate resources and its significant impact for the government audit effectiveness (H4).

## CHAPTER FIVE

### 5 Conclusion and Recommendation

#### 5.1. Summary of Major Finding

According to the regression output all these predictors were positively contributed for the effectiveness of government audit functions in the case of Oromia Auditor General Office. Therefore, the OOAG should give emphasis to use these determinant variables to make their service delivery effective, efficient and economical. Moreover the government audit quality, cooperation from the auditee and Availability of Appropriate Resources were the major determinants of GAE in the OOAG. However, the independent of GA was not significantly important for the GAE in OOAG as of the above three variables.

This study finds that the composite measure of government audit quality, cooperation from the auditee and Availability of appropriate Resources and independence of government auditors for 55.10% ( $R^2 = 0.551$ ) variance for the GA effectiveness in identifying noncompliance activities and added contributions to the public sector offices. That means, the impact of these four independent variables contributed for the dependent variable GAE were 55.10%, and the remaining 44.90% were other variables that are not included in this study.

The final portion of this research aims to conclude the finding of the study focusing on the core determinants (factors) that have significant impacts to the government audit effectiveness and to provide recommendations based on the research findings of the study. These conclusions and recommendations are drawn from the findings of the study specifically related to government audit quality, cooperation from the auditee and Availability of appropriate Resources in the office of Oromia Auditor General.

#### 5.2. Conclusion

In order to bring accountability, transparency and good governance to manage public funds, the existence of effective government audit in federal and state level is essential. In order to ensure that the public sectors are working economically, effectively and efficiently, the government appoints auditors as watch dogs to evaluate performance of those public sectors and to make

them accountable for the misuse of public money. Government auditors have to bring accountability, transparency and good governance to manage public funds. By taking this aspect into consideration, this study was identified factors that determine the GA effectiveness in the cases of OOAG and then analyzed the organizational dimensions in which should carry out to enhance the GA effectiveness. And also by testing of the proposed hypotheses showed relations of these independent variables with the GAE the following conclusions were drawn.

- ✚ The GAE in office of Oromia auditor general increases, when there were improved audit quality, availability of appropriate resource, good cooperation from the auditee. The regression analysis (shown on table 4.5) shows very strong contributions of these variables for the GAE. Therefore, the overall effect of the improved audit quality , availability of appropriate resource, good cooperation from the auditee is very important for the GAE in the OOAG.
- ✚ However, the independency of the government auditors were statistically not significant enough at 5% sig. level to contribute for the GAE in the Office of Oromia Auditor General, therefore this conclusion requires future research should consider for obtaining the impact of these variables on the GA effectiveness.

### **5.3. Recommendations**

After watching the research findings and achieved results with regard to the main objective of this study to identify the major factors affecting GAE in the OOAG and also to prove the hypotheses, the researcher provides the following recommendations to the office of Oromia auditor general, the auditee (any public sectors), Regional council ‘‘Caffee Oromia’ and BoFEC.

- ✚ The finding of this research proved that the government audit quality, availability of appropriate resource and cooperation from the auditee were statistically significant and positively related with the GAE in the OOAG. Thus, the audit organization should support more for the government audit function by improving audit quality through staff qualification and continuing education. The audit organization should check and balance the audit team assigned to conduct the audit collectively possess adequate professional proficiency for the tasks required or each audit is conducted by audit teams who collectively have the

**knowledge and skills** necessary for that audit and facilitate short term training program depending on professional skill gaps.

- ✚ The government auditors of the OOAG were recommended to maintain and improve their effective contribution for the GAE in public sectors, by using the supports from the audit organization and regional council ‘‘Caffee’’ appropriately, by improving their professional certification in line with the government audit standards (GAAS) and organizational guidelines and by introducing themselves with modern technologies that improve their effective GA function to add value in the auditee and to bring accountabilities and transparency in public sectors.
- ✚ As the research proved that the government audit quality, cooperation from the auditee and resource constraint were the major determinants of GAE in the Oromia auditor general office, the regional council or ‘‘Caffee Oromia’’ were recommended to support the government audit works by increasing the number of certified government auditors by funding the certification fees and also by facilitating the way for certification and by assigning appropriate budget to successfully carry out the audit work and also by giving direction for public sectors to give attention for resolving audit finding and recommendation given by auditor general within a given time.

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## **Appendices**

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

MSc in Accounting and auditing program

Address: Tigist Edessa, Mob. 0973340451, e-mail:tigistkedida@gmail.com,

Addis Ababa, Ethiopia

### **APPENDICES A:-Questionnaires Developed for the research**

**Dear respondent,**

The objective of these questionnaires is to gather actual information that will help to assess the **factors influence the Effectiveness of government audit in the office of Oromia auditor general.**

This study is undertaken as a partial requirement for the completion of Masters of Accounting and Auditing in Accounting and Finance Department. All data and information that were gathered through these questionnaires had been used for the sole purpose of the research and remains confidential. Therefore, you are kindly requested to respond to the questions with greatest good confidence, freely and to the best of your knowledge. There is no need to write your name on the questionnaires.

**Your honest and thoughtful response is invaluable**

**Thank you in advance for your time and nice cooperation.**



**A. The personal profiles**

General Instruction: Please indicate your choice by putting “√” mark in the bracket.

- 1 Sex/Gender/: Male [  ] Female [  ]
- 2 Age (in year): 20 to 29[  ] , 30 to 39[  ] , 40 to 49[  ] , 50 to 59[  ] , above 60 [  ]
- 3 Your field of study: Accounting [  ] , Management [  ] , Economics [  ] Other specify\_\_\_\_\_
- 4 Please indicate the highest level of education attained? (Tick as applicable): PhD [  ] , Master’s Degree [  ] , University Degree [  ] , Diploma [  ] , Certificate and below [  ] , others specify it\_\_\_\_\_
5. Indicate your position in the Organization? (Tick as applicable)  
 Audit director [  ] , Team leader [  ] , Auditor [  ] , others specify it\_\_\_\_\_
6. Years of service/working period in the Organization (Tick as applicable)  
 0-5years [  ] , 6-10years [  ] , 11-15years [  ] , above 15years [  ]

**SECTION. B. EFFECTIVENESS OF GOVERNMENT AUDIT.**

Dear respondent, you are kindly requested to give your response to each statement related with the government auditors' ability in identifying non-compliance activities and added contribution the auditee (audited public sectors) as provided in the table below.

The Questionnaire is prepared in Likert-scale form with five (5) point scales. I ask you to tick (√) the appropriate scale (point) that indicates your opinion in table below. The values of scales are 5 = strongly agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = strongly disagree.

Government Audit Effectiveness Statement	Scaling				
	5	4	3	2	1
1. Government audit ensure that it adds value to the /auditee/ audited organization.					
2. Government auditors can effectively identify and report any non-compliance activities with the government policies, procedures and process.					

3. Government Auditors provide useful recommendations and constructive criticisms on non-compliances activities or control systems in the auditee.					
4. The noncompliance reports provided by government auditors are reliable and significant to the audited organization.					
5. The government auditors have confidence to issue audit report because they are proficient to determine the nature and frequency of non-compliance.					
6. The number of criticisms (doubts) about the government auditors' finding (report) is very low because their report is correct and reasonable.					
7. Government audit ensures the economical, effective and efficient use of resources in the audited entity.					
8. The recommendations of government audit division provide practical, cost-benefit solutions for correcting the problems that were found.					
9. Government auditors have the experience and expertise to address corporate risk management problems within the auditee.					
10. The government auditors' reports are highly considered for decision making and internal controls by the management of the auditee.					
11. Government audit improve divisions' performance of the auditee.					
12. Government audit improves organizational performance of the audited entity.					

## SECTION C. FACTORS AFFECTING EFFECTIVENESS OF GOVERNMENT AUDIT

The Questionnaire is prepared in Likert-scale form with five (5) point scales. I ask you to tick (√) the appropriate scale (point) that indicates your opinion in table below. The values of scales are 5 = strongly agree, 4 = Agree, 3 = Neutral, 2 = Disagree, and 1 = strongly disagree.

<b>1. Audit quality</b>	<b>Scaling</b>				
<b>Statements</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1. The audit organization has a program to ensure that its staff maintains professional proficiency through continuing education or long term training.					
2. There is continuous short term training program in the organization in order to upgrade skills of auditors.					
3. The training had been given by qualified trainers.					
4. The training had been given on technologies and regulations related to the audit profession and depending on skill gap.					
5. The organization invests consistently in improving the audit work and development of Auditing.					
6. There is a mechanism in the organization to ensure that each audit is conducted by team who collectively has the knowledge and skills necessary for that audit.					
<b>2. Independence</b>	<b>Scaling</b>				
<b>Statements</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
7. Auditors are free from intervention in performing their duties or have full operational independence.					
8. Auditors have full financial independence or not having a financial interest in the client to full fill the audit work effectively.					
9. Auditors can include in their reports any fault, fraud, wrongdoing, and mistake without influence from any one.					
10. Auditors are sufficiently independent in mental attitude to perform their professional obligations and duties or no external and internal pressures.					
11. Audit findings reported on directions of political pressures and personal interest of top management.					
<b>3. Cooperation from the auditee</b>					

<b>Statements</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
12. The auditees have willingness to be audited.					
13. There is Cooperation and positive relation among auditors and auditee in order to complete the audit work effectively.					
14. The auditees have positive attitude towards government audit.					
15. There is enough access to record, an appropriate documentation and other information in the auditee.					
16. Enough, sufficient and real interpretation is given by the auditee on time to the audit finding before exit.					
17. The auditee's management always give attention for resolving audit findings and recommendations, within a given time.					
<b>4. Resource constraint</b>	<b>Scaling</b>				
<b>Statements commitment</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
18. Auditors have enough technological resource like laptops and flash disk to perform the audit work effectively.					
19. Auditors obtain enough access to records and to any information regarding to the audit.					
20. The Audit department obtains a sufficient budget to successfully carry out the audit work.					
21. The audit department is large enough to successfully carry out their duties.					
22. Auditors possess sufficient experience to understand the organizations systems to undertake the audit.					
23. There is a complete audit manual and internet facilities to guide audit work.					
24. Auditors are assigned with sufficient time in proportion to size of the auditee to conduct audit effectively.					

**Appendix .B** Reliability Statistics for variables

Table 4.1 Reliability Statistics

4	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
	.768	.710	9

Sources: survey data, 2019 SPSS output

**Appendix .C** Assessment of OLS Assumptions for the model

*i. Assessment of normality*

Table .4.2 assessment of normality

Variables	Observation	Skewness	Kurtosis
1. Effectiveness of government audit	118	(0.53)	(0.15)
2. Audit quality	118	(0.25)	(0.312)
3. Independence	118	(1.08)	(0.312)
4. Cooperation from the auditee	118	(0.54)	1.22
5. Availability of Appropriate Resources	118	(0.57)	(0.01)

Sources: survey data, 2019 SPSS output.

*ii. Assessment of Heteroskedasticity*

**Table 4.3** Test of Heteroskedasticity

estat hettest
Breusch-Pagan / Cook-Weisberg test for Heteroskedasticity
Ho: Constant variance
Variables: fitted values of GAE
chi <sup>2</sup> = 0.1800
Prob> chi <sup>2</sup> = 0.7894

Source: Survey data, 2019 Stata output.

*iii. Assessment of Multicollinearity*

Table 4.4 Collinearity Statistics

variables	Collinearity statistics	
	Tolerance	VIF
Audit quality	.604	1.655
Independency	.826	1.211
Cooperation from the auditee	.805	1.242a
Resource constraint	.721	1.387

Source: Survey data, 2019 SPSS output

*iv. Assessment of Autocorrelation (Shown in Appendix D Below)*

**Appendix D: The Regression Results for GAE**

Table 4.5 Regression result for GAE

R=0.743		R <sup>2</sup> =0.551		Adj. R <sup>2</sup> =0.507		Std. Error of the Estimate = 2.7287	
Durbin-Watson (d) = 1.952			F = 12.292		P = .000		
Variables	Unstandardized Coefficients		Standardized Coefficients	t-value	Sign.	Collinearity statistics	
	B	Std. Error	Beta			Tolerance	VIF
Constant	29.676	5.984		4.959	.000		
GAQ	1.705	.202	.424	3.481	.001**	.604	1.651
IND	.047	.168	.029	.282	0.779	.826	. 1.21
CFA	1.196	.191	.698	6.257	.000**	.721	1.387
RC	1.155	.298	.423	4.208	.000**	.890	1.124

\*\*P < 0.01, 95% level of Confidence, N = 118

Source: Survey data, 2019 SPSS output

**Frequency Table**

**1. Government audit effectiveness**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25.00	2	1.7	1.7	1.7
	26.00	2	1.7	1.7	3.4
	29.00	1	.8	.8	4.2
	30.00	3	2.5	2.5	6.8
	33.00	1	.8	.8	7.6
	34.00	5	4.2	4.2	11.9
	35.00	1	.8	.8	12.7
	36.00	1	.8	.8	13.6
	38.00	2	1.7	1.7	15.3
	40.00	6	5.1	5.1	20.3
	41.00	1	.8	.8	21.2
	42.00	5	4.2	4.2	25.4
	44.00	15	12.7	12.7	38.1
	45.00	5	4.2	4.2	42.4
	46.00	3	2.5	2.5	44.9
	48.00	2	1.7	1.7	46.6
	49.00	7	5.9	5.9	52.5
	50.00	3	2.5	2.5	55.1
	51.00	8	6.8	6.8	61.9
	53.00	2	1.7	1.7	63.6
	54.00	4	3.4	3.4	66.9
	55.00	4	3.4	3.4	70.3
	57.00	2	1.7	1.7	72.0
	58.00	8	6.8	6.8	78.8
	59.00	6	5.1	5.1	83.9
	60.00	19	16.1	16.1	100.0
Total		118	100.0	100.0	

### 2. Audit quality

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 8.00	2	1.7	1.7	1.7
9.00	1	.8	.8	2.5
11.00	4	3.4	3.4	5.9
12.00	10	8.5	8.5	14.4
13.00	1	.8	.8	15.3
14.00	2	1.7	1.7	16.9
15.00	5	4.2	4.2	21.2
16.00	8	6.8	6.8	28.0
17.00	2	1.7	1.7	29.7
18.00	18	15.3	15.3	44.9
20.00	10	8.5	8.5	53.4
21.00	2	1.7	1.7	55.1
22.00	5	4.2	4.2	59.3
24.00	20	16.9	16.9	76.3
25.00	5	4.2	4.2	80.5
26.00	8	6.8	6.8	87.3
27.00	5	4.2	4.2	91.5
28.00	5	4.2	4.2	95.8
29.00	5	4.2	4.2	100.0
Total	118	100.0	100.0	

### 3. Independency

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 8.00	5	4.2	4.2	4.2
10.00	3	2.5	2.5	6.8
12.00	7	5.9	5.9	12.7
14.00	5	4.2	4.2	16.9
15.00	7	5.9	5.9	22.9
16.00	1	.8	.8	23.7
17.00	12	10.2	10.2	33.9
18.00	20	16.9	16.9	50.8
19.00	3	2.5	2.5	53.4
21.00	10	8.5	8.5	61.9
23.00	42	35.6	35.6	97.5
24.00	3	2.5	2.5	100.0
Total	118	100.0	100.0	



**4. Cooperation from the auditee**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 12.00	2	1.7	1.7	1.7
13.00	3	2.5	2.5	4.2
14.00	15	12.7	12.7	16.9
16.00	1	.8	.8	17.8
17.00	11	9.3	9.3	27.1
18.00	3	2.5	2.5	29.7
19.00	20	16.9	16.9	46.6
20.00	11	9.3	9.3	55.9
21.00	7	5.9	5.9	61.9
22.00	7	5.9	5.9	67.8
23.00	3	2.5	2.5	70.3
25.00	10	8.5	8.5	78.8
26.00	21	17.8	17.8	96.6
27.00	4	3.4	3.4	100.0
Total	118	100.0	100.0	

**5. Availability of appropriate Resources**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 12.00	4	3.4	3.4	3.4
13.00	1	.8	.8	4.2
14.00	2	1.7	1.7	5.9
15.00	2	1.7	1.7	7.6
17.00	6	5.1	5.1	12.7
18.00	4	3.4	3.4	16.1
19.00	1	.8	.8	16.9
20.00	2	1.7	1.7	18.6
21.00	7	5.9	5.9	24.6
22.00	6	5.1	5.1	29.7
23.00	13	11.0	11.0	40.7
24.00	7	5.9	5.9	46.6
25.00	5	4.2	4.2	50.8
26.00	10	8.5	8.5	59.3
27.00	12	10.2	10.2	69.5
28.00	2	1.7	1.7	71.2
29.00	9	7.6	7.6	78.8
30.00	15	12.7	12.7	91.5
31.00	5	4.2	4.2	95.8
32.00	5	4.2	4.2	100.0
Total	118	100.0	100.0	