

Some of the respondents are not interested to label the level of audit quality. But, from their justification it can be possible to conclude that the quality of audit of the office is questionable. It needs proper implementation of the Regularity Audit Manual (RAM) guidelines.

As we have understood from FGD, at the time of supervision there are checklists inappropriately filled by audit teams and copied directly from other works. Audit managers also admitted that the supervision process is not always properly conducted for each audit team. When there is work overload, there are situations where supervisors couldn't conduct the supervision activity. At the time of exit conference auditees communicate areas of audit risk that have not been properly audited by the audit team. There were some circumstances where the work of auditors was reversed based on further evaluations or ordered for rework.

Auditor's performance:

Table 18: Auditor's performance

	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
I effectively work with management	5	6.3%	8	10.1%	9	11.4%	43	54.4%	14	17.7%
I timely report audit findings to my supervisor	3	3.8%	6	7.5%	2	2.5%	47	58.8%	22	27.5%
I follow applicable auditing standards during audit	2	2.6%	5	6.5%	2	2.6%	50	64.9%	18	23.4%
I follow up either audited bodies are implementing my recommendations	4	5.1%	12	15.4%	8	10.3%	41	52.6%	13	16.7%
I honestly deliver all the facts and figures in audit reports	3	3.8%	6	7.7%	2	2.6%	37	47.4%	30	38.5%
I put innovative suggestions to improve the task	5	6.4%	6	7.7%	11	14.1%	44	56.4%	12	15.4%
I plan and organize my work activities effectively	2	2.7%	5	6.8%	1	1.4%	45	60.8%	21	28.4%
I willingly accept challenging tasks	3	3.9%	6	7.9%	3	3.9%	46	60.5%	18	23.7%
I create positive synergies in department	3	4.1%	3	4.1%	13	17.8%	35	47.9%	19	26.0%

Source: Survey Result, 2019

As indicated in the above table in line with cooperation with management the majority of the respondents 17.7% and 54.4% ‘Strongly Agreed’ and ‘Agreed’, respectively, on the work effectiveness auditors with management. 27.5% and 58.8% of the respondents ‘Strongly Agreed’ and ‘Agreed’, respectively, on the timely report of audit findings to my supervisor. The majority of respondents ‘Strongly Agreed’ (23.4%) and ‘Agreed’ (64.9%) on following applicable auditing standards during the audit engagement. In

addition, from the above table we can observe that 16.7% of the respondents ‘Strongly Agreed’ and 52.6% of them ‘Agreed’ on following up either audited bodies are implementing my recommendations or not.

With reference to honestly delivering all the facts and figures in audit reports 38.5% of the respondents ‘Strongly Agreed’ and 47.4% of them ‘Agreed’ on it. Whereas putting innovative suggestions to improve the task 15.4% of the respondents ‘Strongly Agreed’ and 56.4% of them ‘Agreed’ on it. 28.4% and 60.8% of the respondents ‘Strongly Agreed’ and ‘Agreed’, respectively, on the planning and organizing their audit work activities effectively. 23.7% of the respondents ‘Strongly Agreed’ on willingly accepting challenging tasks and 60.5% of them ‘Agreed’ on it. Finally, the majority of respondents ‘Strongly Agreed’ (26%) and ‘Agreed’ (47.9%) that auditors create positive synergies in their department. Overall in measuring the performance of auditors, respondents tended to agree in all measurement items.

Confidence in the results of an audit depends on the competence of the individuals conducting the audit. Based on our discussion with the three team of OAG, auditors do have various short-comings with respect to adequate experience, specialized expertise, knowledge about client industry and other technical competencies like ICT. The problem related to lack of experience and knowledge emanates from the high employee turnover which is in turn associated with the existing unattractive employee salary and benefit schemes.

Training and Development:

Table 19: Training and Development

	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
Training session are frequently conducted	10	12.7%	22	27.8%	14	17.7%	28	35.4%	5	6.3%
Variety of development opportunities are provided	13	16.5%	22	27.8%	13	16.5%	25	31.6%	6	7.6%
My Organization provides me the opportunity to improve my skills	5	6.3%	28	35.4%	11	13.9%	27	34.2%	8	10.1%
There is lot of chance to learn new things in this company	15	19.0%	9	11.4%	12	15.2%	30	38.0%	13	16.5%
Doing job in this Organization will benefit me in the future	3	3.8%	11	13.8%	12	15.0%	34	42.5%	20	25.0%
My Organization frequently arranges training programs	9	11.4%	17	21.5%	11	13.9%	36	45.6%	6	7.6%
I am satisfied with the training and development	15	18.8%	29	36.2%	9	11.2%	23	28.8%	4	5.0%

Source: Survey Result, 2019

With reference to training and development respondents replied for all response alternatives for the frequently conducting of training sessions. 35.4%, 27.8% and 17.7% of the respondents *_Agreed_*, *_Disagreed_* and *_Indifferent_*, respectively, for the frequency of conducting training session in the office for auditors. In providing variety of development opportunities the majority of respondents (31.6%) *_Agreed_* on it. Nearly similar number of respondents (27.8%) *_Disagreed_* on this question. In line with providing the opportunity to improve auditors' skills the majority of the respondents (35.4%) *_Disagreed_* whereas almost equal number of respondents (34.2%) *_Agreed_* on the issue. In replying to the number of chances to learn new things in the office 38% of the respondents *_Agreed_*, 19% of them *_Strongly Disagreed_* and 16.5% of them *_Strongly Agreed_*. When we observe the response for doing job in this Organization will benefit me in the future the majority of respondents (42.5%) *_Agreed_* on this. For the satisfaction of satisfaction of auditors with the training and development provided by the office the majority of respondents *_Strongly Disagreed_* (18.8%) and *_Disagreed_* (36.2%). A relatively lower number of respondents (28.8%) *_Agreed_* for this response. So, respondents disagreed on their satisfaction towards the training and development in the office. They similarly perceived towards the provision of variety of development opportunities. In other measurement items they have almost tended to agree in the audit quality report.

Physical Work Environment:

Table 20: Physical Work Environment

	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
I have the information I need to do my job well.	3	3.8%	14	17.5%	12	15.0%	44	55.0%	7	8.8%
I have full access to records of auditee.	8	10.0%	26	32.5%	11	13.8%	29	36.2%	6	7.5%
The computer-based tools help to undertake my job	10	12.5%	19	23.8%	14	17.5%	26	32.5%	11	13.8%

Source: Survey Result, 2019

As indicated in the above table, three item questions were forwarded for the auditors to assess the physical work environment. The majority of the participants in this survey agreed (*_Strongly Agreed_* (8.8%) and *_Agreed_* (55%)) on the information auditors need to do their job well. 36.2% of the respondents *_Agreed_* and 32.5% of them *_Disagreed_* in having full access to records of the auditee at the time of audit engagement. 32.5% and 13.8% of the respondents *_Strongly Agreed_* (13.8%) and *_Agreed_* (32.5%),

respectively, for the question computer-based tools (e.g., hardware, software) they have access to help them to undertake their job.

From this we can understand that the physical work environment is moderate to assist their audit work activities. This indicates that there need to consider accessibility of records of the auditee organization either with a deliberate act to hide records or the documentation system that hinders auditors to find these records. Two problems can be raised for the third question – computer-based tools to assist auditors to undertake their job. First, the computerized auditing knowledge and skills of auditors can hinder them to do their job properly. Second, the computerized system installed in the auditee organization can be a barrier for auditors to facilitate their audit works with in time.

Autonomy to Implement Audit Techniques Learnt During Trainings:

Table 21: Autonomy to Implement Audit Techniques Learnt During Trainings

	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
I have freedom to apply computer-based auditing techniques	5	6.3%	11	13.9%	12	15.2%	42	53.2%	9	11.4%
I have the freedom to make changes in auditing procedures	14	18.2%	21	27.3%	9	11.7%	28	36.4%	5	6.5%
I have the facilities to apply training programs	15	19.5%	28	36.4%	15	19.5%	16	20.8%	3	3.9%
I have autonomy to access training materials	12	15.2%	26	32.9%	15	19.0%	20	25.3%	6	7.6%

Source: Survey Result, 2019

The above table depicts the autonomy to implement audit techniques. Accordingly, the majority of respondents (‘Strongly Agreed’ (11.4%) and ‘Agreed’ (53.2%)) agreed that auditors have the freedom to apply computer-based auditing techniques. In line with the freedom to make changes in auditing procedures proportionately almost equal number of respondents agreed and disagreed on the question. In applying training programs, the majority of respondents (‘Strongly Disagreed’ (19.5%) and ‘Disagreed’ (36.4%)) disagreed on the availability of facilities to apply training programs. On the autonomy to access training materials nearly similar number of respondents disagreed (‘Strongly Disagreed’ (15.2%) and ‘Disagreed’ (32.9%)) on accessing training materials.

Auditors are relatively autonomous in implementing audit techniques than accessing training materials and facilities in applying training programs. This results in either side of to make a decision in autonomy

of auditors. We depicted the average score of this measurement in the summary of the total score later on in this section.

Independence:

Auditors should be independent, both in fact and in appearance, of the entity being audited and other related parties. Standards of independence for auditors should be designed to promote an environment in which the auditor is free of any influence, interest or relationship that might impair professional judgment or objectivity or, in the view of a reasonable citizen, might impair professional judgment or objectivity.

Table 22: Auditor Independence

	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
never engaged in actions that compromise my independence	2	2.6%	11	14.5%	13	17.1%	30	39.5%	20	26.3%
skeptical attitude	3	4.3%	2	2.9%	11	15.9%	42	60.9%	11	15.9%
perform the audit with honesty and integrity	3	3.8%	4	5.1%	5	6.4%	26	33.3%	40	51.3%
performs the audit with political neutrality	5	6.3%	5	6.3%	6	7.6%	22	27.8%	41	51.9%
not accepted material gifts or services on favorable terms	8	10.4%	21	27.3%	6	7.8%	16	20.8%	26	33.8%
no pressure exerted by associated practices or from external sources	3	3.9%	18	23.4%	17	22.1%	25	32.5%	14	18.2%
didn't have mutual business interests	3	3.8%	10	12.8%	11	14.1%	14	17.9%	40	51.3%
have no relationship	5	6.3%	8	10.1%	8	10.1%	16	20.3%	42	53.2%

Source: Survey Result, 2019

Auditors' independence is an important element to measures auditors attribute. In measuring auditors' independence, the majority of respondents (‘Strongly Agreed’ (26.3%) and ‘Agreed’ (39.5%)) agreed that auditors have never been engaged in actions that compromise their independence, as per the survey result. Whereas 17.1% of them are undecided and 14.5% of them ‘Disagreed’ on this. 15.9% and 39.5% of the respondents ‘Strongly Agreed’ and ‘Agreed’, respectively, that they have a skeptical attitude throughout the audit engagement. Similarly, the majority of respondents agreed (‘Strongly Agreed’ (51.3%) and ‘Agreed’ (33.3%)) that they perform the audit engagement with honesty and integrity.

With reference to interference on their audit work 51.9% of the respondents ‘Strongly Agreed’ and 27.8% of them ‘Agreed’ that they perform the audit activities with politically neutral. 33.8% and 20.8% of the

respondents ‘Strongly Agreed’ and ‘Agreed’, respectively, that they didn’t have accepted material gifts or services on favorable terms or received undue hospitality related to their audit engagement. Similar to this the majority of respondents (18.2% and 32.5% of the respondents) ‘Strongly Agreed’ and ‘Agreed’ that there was no pressure exerted on them by associated practices or from external sources such as federal or regional authorities. 51.3% and 17.9% of the respondents ‘Strongly Agreed’ and ‘Agreed’, respectively, that they didn’t have any mutual business interests with auditees organization or with an officer or employee. With almost similar proportion the majority of respondents (‘Strongly Agreed’ (53.2%) and ‘Agreed’ (20.3%)) agreed that they didn’t have a personal or family relationship with any of the organization directors or senior staff.

From this we can observe that the majority of respondents agreed that auditors are independent. Relative to the other elements of measurement of independence the responsible body needs to take caution accepting material gifts or services on favorable terms or received undue hospitality related to their audit engagement and pressure exerted from external parties. In addition, we have to take into account the other elements of auditors’ independence since some number of respondents reported to the opposite of this practice.

When we come to the results of FGD, OAG, as an institution is granted as independent from the executive body of government. As per the recent proclamation that amended the OAG establishment, the office is expected to enjoy more freedom and independence in executing its audit services. However, as pointed out in our discussion with the management team, the office still has challenges with respect to employee salary and benefit scheme as well as human resource recruitment which are still under the civil service commission supervision and guideline that has budget implication. As part of the requirements of independence, the auditor general doesn’t have any immunity for his actions and decisions at the capacity of the office.

When it comes to the individual auditor’s independence we didn’t get any significant challenge that could compromise the auditor’s independence in undertaking his/her audit work. In our discussion with the management team, even political interference from the top government officials was nonexistent.

Due Professional Care:

Table 23: Due Professional Care

	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
exercise due professional care	3	3.9%	2	2.6%	3	3.9%	41	53.9%	27	35.5%
undertake work competent to perform	1	1.3%	6	8.0%	3	4.0%	43	57.3%	22	29.3%
Audit conclusions are based upon audit objectives and scope	1	1.3%	3	3.9%	5	6.6%	45	59.2%	22	28.9%
Audit conclusions are based upon sufficient audit evidence	0	.0%	4	5.3%	2	2.7%	40	53.3%	29	38.7%
apply high professional standards	2	2.6%	8	10.3%	4	5.1%	45	57.7%	19	24.4%
perform in a professional manner	0	.0%	3	3.8%	4	5.1%	44	56.4%	27	34.6%
perform to the extent of works needed	3	3.8%	3	3.8%	4	5.1%	48	61.5%	20	25.6%
perform by considering the needs and expectations of clients	5	6.4%	10	12.8%	3	3.8%	47	60.3%	13	16.7%
perform by considering the relative complexity and extent of work needed	3	3.8%	6	7.7%	3	3.8%	54	69.2%	12	15.4%

Source: Survey Result, 2019

Due professional care is the application of the care and skill expected of a reasonably prudent and competent auditor in similar circumstances. The majority of respondents (‘Strongly Agreed’ (35.5%) and ‘Agreed’ (53.9%)) agreed that they exercised due professional care throughout the conduct of the audit engagement. 29.3% and 57.3% of the respondents (‘Strongly Agreed’ and ‘Agreed’, respectively) agreed that they undertake works that they are competent to perform. With almost similar report 28.9% and 59.2% of the respondents (‘Strongly Agreed’ and ‘Agreed’, respectively) agreed that their audit conclusions are based upon audit objectives and scope. The majority of respondents (‘Strongly Agreed’ (38.7%) and ‘Agreed’ (53.3%)) reported that their audit conclusions are based upon sufficient audit evidence. 24.4% and 57.7% of the respondents (‘Strongly Agreed’ and ‘Agreed’, respectively) that they apply high professional standards in carrying out their work. In line with performing the audit activity the majority of respondents (‘Strongly Agreed’ (34.6%) and ‘Agreed’ (56.4%)) reported that they perform the audit in a professional manner and to the best of their abilities.

When we come to performing the audit activity to the extent of works needed to achieve the engagement activities 25.6% of the respondents ‘Strongly Agreed’ and 61.5% of them ‘Agreed’ agreed that they perform the audit activity to the extent of works needed. 16.7% and 60.3% of the respondents, ‘Strongly Agreed’ and ‘Agreed’, respectively, that they perform the audit activity by considering the needs and expectations of clients, including the nature, timing, and communication of engagement results. The final item in this measurement is complexity of the audit work. 15.4% and 69.2% of the respondents, ‘Strongly Agreed’ and ‘Agreed’, respectively, that they perform the audit activity by considering the relative complexity and extent of work needed to achieve the engagement’s objectives.

For due professional care the majority of them inclined to the positive side of the 5-point Likert Scale. This means that there is high due professional care among the auditors in OAG.

Audit Responsiveness to Client’s Needs:

Table 24: Audit Responsiveness to Clients Needs

	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree	
	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %
discuss areas of weakness	4	5.3%	9	11.8%	7	9.2%	45	59.2%	11	14.5%
offer advisory services and assistance	7	9.0%	12	15.4%	6	7.7%	45	57.7%	8	10.3%
relate and cooperate well with organizations staff	2	2.6%	12	15.4%	11	14.1%	41	52.6%	12	15.4%
provide faster response to emerging technical issues & questions	1	1.3%	10	12.8%	8	10.3%	47	60.3%	12	15.4%
All audited entity responses fairly considered before finalizing the audit report	5	6.4%	17	21.8%	7	9.0%	39	50.0%	10	12.8%

Source: Survey Result, 2019

The above table depicts audit responsiveness to clients’ needs. 14.5% and 59.2% of the respondents ‘Strongly Agreed’ and ‘Agreed’, respectively, reported that they discuss areas of weakness with the client staff. 10.3% and 57.7% of the auditors reported that they offer advisory services and assistance during and after the audit. In reference with cooperation with the auditee 15.4% and 52.6% of the auditors, ‘Strongly Agreed’ and ‘Agreed’, respectively, reported that they relate and cooperate well with organizations staff. 15.4% and 60.3% of the respondents, ‘Strongly Agreed’ and ‘Agreed’, respectively, believed that they provide faster response to emerging technical issues & questions. The majority of respondents (‘Strongly

Agreed‘ (12.8%) and _Agreed‘ (50%)) reported that all audited entity responses fairly considered before finalizing the audit report.

Thus, regarding audit responsiveness the majority of respondents agreed in all item questions of the measurement. A better record is scored for the audit responsiveness attribute relative to some of the other measurements. We can understand from this that a good audit responsiveness is observed from the office even though it needs additional caution to improve it further.

Summary of Descriptive Statistics Auditors Perception:

Table 25: Descriptive Statistics of Perception of Auditors

	N	Minimum	Maximum	Mean	Std. Deviation		Skewness		Kurtosis
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Total of promotion	75	1.33	5.00	3.4533	.79722	-.684	.277	.000	.548
Total of Job Satisfaction	74	1.25	5.00	3.3953	.88462	-.726	.279	-.015	.552
Total of Audit Report Quality	52	2.00	4.70	3.6115	.67291	-.702	.330	.006	.650
Total of Audit Performance	71	1.22	4.89	3.8545	.75467	-1.844	.285	3.927	.563
Total of Training	76	1.43	4.71	3.0977	.89083	-.239	.276	-1.016	.545
Total of Physical Work Environment	80	1.00	5.00	3.1917	.90905	-.322	.269	-.327	.532
Total of Autonomy	75	1.00	4.75	2.9400	.80417	-.060	.277	-.426	.548
Total of Auditors Independence	63	2.38	5.00	3.8313	.66794	-.149	.302	-.977	.595
Total of Due Professional Care	70	2.44	5.00	4.0810	.55954	-.990	.287	1.383	.566
Total of Audit responsiveness to clients' needs	76	1.00	5.00	3.6184	.70592	-.826	.276	1.722	.545
Valid N (listwise)	37								

Source: Survey Result, 2019

The above table depicts the total score of auditors‘ perception towards audit procedures in OAG. Specific attention is given for the mean of the statistic. The mean of each measurement indicates a minimum of 1 to a maximum of 5 scores which is the average of the total number of items included in these measurements.

In order to interpret a mean score of a five-point likert scale we can use the following formula to determine the Cut off score to suite the interpretation in these five categories.

Cut off point for a 5-point Likert scale = (Maximum – Minimum) / Group = (5-1)/5 = 0.8.

Likert scale 1 to 1.8 (Strongly disagree), 1.81 to 2.60 (Disagree), 2.61 to 3.40 (Neutral), 3.41 to 4.20 (Agree), 4.21 to 5 (Strongly Agree) can be applied here.

The scores for Total of promotion, Total of Audit Report Quality, Total of Auditors Performance, Total of Auditors Independence, Total of Due Professional Care and Total of Audit responsiveness to clients' needs is in the range of 3.41 to 4.20, 'Agree'. The score of the other measurements scales for Total of Job Satisfaction, Total of Training, Total of Physical Work Environment, and Total of Autonomy fall under the range of 'Indifferent' (2.61 to 3.40). Falling these scores in the two categories indicates that OAG needs further improvements to support the activities of auditors and its general audit engagements having special attention for job satisfaction, training and development, physical work environment, and autonomy of auditors.

Auditors' Ethical Behavior:

According to the discussion held with the OAG management team the commonly known provisions of the Code of Ethics have been observed by the team members during each audit. The audit team members have maintained their independence, objectivity, impartiality and political neutrality throughout their audit work. To the knowledge of the OAG management team, no benefits or gifts have been received before, during or after the audit from persons employed by or associated with the auditee. No audit information has been disclosed to third parties. Due professional care and integrity of auditors are under question and observed in some of the auditors where OAG need further precautions and strategies to tackle these problems. Generally, unethical behavior is not a big challenge to the Office of Auditor General in other respects if these problems are solved.

The Auditor – Auditee Relationship:

The auditor-auditee relationship is a precarious one. The auditor knows that for the next engagement the auditee may or may not be helpful and may or may not understand and appreciate the need for governance and security. The auditee, on the other hand, hopes that the auditor will be fair and knowledgeable.

This calls for greater collaboration and positive relationship between the Auditor and the Auditee at all levels of the organization. Auditee should view Auditor as a partner working for the common goal while the Auditor should develop better understanding of the organization and operational issues.

As per the FGD, occasionally, due to lack of auditors' commitment and unethical behavior there may be impediments to good relationships. Thus, the concerns and grievances of the auditees/clients have been addressed on the spot upon their request and through exit conferences undertaken with each auditee.

Moreover, to improve the relationship with the clients training has been provided to them that are based on adverse and disclaimer audit opinions.

Client (Auditees) Satisfaction:

To meet the legitimate and logical requirements of an auditee is one important consideration in an effort to achieve audit quality. In this respect as per our discussion with the management team, the auditors strive to furnish constructive feedbacks to the client that could reduce corruption and detect both intentional and unintentional errors of the clients. While striving to be responsive to the client's requirements, sometimes there exists late completion of the audit work for reasons like low commitment of auditors and poor planning of the audit work. Moreover, the auditors exert their maximum effort to demonstrate their true intent and thereby to overcome the prejudice of considering them as fault finders. Nevertheless, we can't conclude that there is no certain degree of trust deficit between the auditors and the auditees. Follow up is lacking in achieving continuous improvement in the clients working system so that the auditors did investigate the same problem year after year. Thus, the follow up audit that was practiced earlier needs to be restarted to alleviate this problem.

Audit Quality Assurance:

The quality control system is intended to provide OAG with reasonable assurance that OAG and its personnel comply with professional standards and applicable legal and regulatory requirements, and that engagement reports issued by the office are appropriate in the circumstances. The OAG started to establish quality assurance department to address its quality concerns. The office has quality assurance manual and undertaken frequent supervision as part of its endeavor to secure audit quality. Moreover, the office subjects itself to external audit and to this end the OAG has been audited by the OFAG and other regional OAGs and the report has been submitted to the regional council as the auditors were assigned by the council. However, the OAG has been audited once in two or three years' time and yet the OAG's performance has never been audited. According to the discussion with the OAG management team, there is mixed results when they assess the audit quality of their office for reasons like lack of continuity/regular audit of an audit, absence or interruption of follow up audit, and no periodic assessment of audit quality. Finally, as per our discussion with the management team, despite the absence of formal study, the office's audit quality has been in a declining situation basically due to lack of auditors' commitment, lack of frequent supervision, the existence of high senior auditors' turnover, and the absence of a well-established quality assurance system and department in the office.

Factors that Affect Audit Quality:

Respondents were asked to reply for the factors that can affect the quality of audit. Continuous training and development, computerized/software training, remuneration of employees and supervision of audits are the factors that affect the quality of audit. In addition, turnover of employees, poor management system in the office, organizational structure of the office, auditors and leaders' professional knowledge and experience, motivation and promotion system - rewards, professional fees, and due professional care are under the list of auditors that affect quality of audit.

Continuous training that specifically focused for each performance level of auditors should be delivered in the office. Automating the auditing system can help the audit activities in the office. This needs continuous training for both newly recruited as well as existing auditors. This should be supported by the supervision of audit manager in order to improve the quality of audit. Turnover of employees due to unattractive incentives and pay schemes for employees are repeatedly listed by the participants of the survey for the open-ended questionnaire. Skilled and experienced auditors and managers leave the office for better job.

Audit quality needs promoting the auditing profession and giving special attention by each concerned government and non-governmental bodies. The support of the OAG and other stakeholders need additional focus. With respect to the office itself every management decision must be based on the opinion of auditors to acknowledge the work of auditors. Poor management decision and dissatisfaction of auditors on skills and efficiency of the management need attention. There is poor human resource management and administrative system in the office. Even the relationship between auditors and top management and between peers is loose that hinders to improve quality of audit that discourage the integration of employees. The top management communicate auditors in order to encourage field auditors and other employees. Remuneration of employees in the office is extremely limited even compared to the judicial system. Time allocated to the audit work is not sufficient enough for some of the audit works.

In some situations, the independence of auditors is also questionable. In addition, the office lacks composition of qualifications like from engineers and lawyers. The educational level of auditors is also additional factor which needs the attention of the management in the recruitment and development of staffs. To perform their audit work with confidence and increase their independence auditors needs immunity from the legal system. The working environment throughout the audit procedure is also an important factor.

There is also political interference and pressure from external parties, lack of timely response of audit findings from the auditee, governance in the region and biasedness of auditors and other workers are the

key factors that can affect the audit quality under this list. Efficiency and honesty of top management are also the most repeatedly cited factors for audit quality.

7.5 Regression Results and Interpretations on Factors Affecting Audit Quality

Correlations

Table 26: Correlations

		TPAQ5	TATC5	TAI5	TARtoC5	TARQ5	TDPC5	TPWE5
TPAQ5	Pearson Correlation	1	.691**	.559**	.545**	.624**	.629**	.406**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	135	129	123	132	132	129	132
TATC5	Pearson Correlation	.691**	1	.489**	.470**	.590**	.636**	.423**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	129	139	128	137	136	132	137
TAI5	Pearson Correlation	.559**	.489**	1	.384**	.440**	.419**	.381**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	123	128	133	130	130	126	131
TARtoC5	Pearson Correlation	.545**	.470**	.384**	1	.574**	.655**	.495**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	132	137	130	144	140	136	141
TARQ5	Pearson Correlation	.624**	.590**	.440**	.574**	1	.840**	.421**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	132	136	130	140	143	137	140
TDPC5	Pearson Correlation	.629**	.636**	.419**	.655**	.840**	1	.460**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	129	132	126	136	137	139	136
TPWE5	Pearson Correlation	.406**	.423**	.381**	.495**	.421**	.460**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	132	137	131	141	140	136	144

** . Correlation is significant at the 0.01 level (2-tailed).

The following guide is used to describe the strength of correlation as proposed by Ohman & Hackner (2012):

- 0.00-0.19 - "very weak",
- 0.20-0.39 - "weak",
- 0.40-0.59 - "Moderate",
- 0.60-0.79 - "strong" and
- 0.81-1.00 - "very strong".

The above table depicts that the different variables are strongly associated with each other. Specifically, the dependent variable, perceived audit quality, has moderate ($0.40 < r < 0.59$) correlation with the independent variables, except the physical work environment. The other respects, due professional care has a very strong correlation ($0.81 < r < 1.00$) with audit reporting quality ($r=0.840$, $\text{sig.} = 0.000$) which poses potential problems of collinearity as predictor of the dependent variable. The physical work environment has a weak association ($0.2 < r < 0.39$) with auditors' independence ($r = 0.381$, $\text{sig.} = 0.000$). Auditors' independence also has a weak association ($0.2 < r < 0.39$) with auditors' responsiveness to customers' needs ($r = 0.384$, $\text{sig.} = 0.000$). In the other respects there is a moderate and strong association between these variables.

Model Summary:

Table 27: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.778 ^a	.606	.589	.41367	2.182

a. Predictors: (Constant), TPWE5, TAI5, TARQ5, TARtoC5, TATC5

b. Dependent Variable: TPAQ5

The above table shows the multiple linear regression model summary and overall fit statistics. We find that the adjusted R^2 of our model is .589 with the $R^2 = .606$. This means that the linear regression explains 58.9% of the variance in the data. The Durbin-Watson $d = 2.182$, which is between the two critical values of $1.5 < d < 2.5$. Therefore, we can assume that there is no first order linear auto-correlation in our multiple linear regression data.

ANOVA:

Table 28: ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.776	5	6.155	35.970	.000 ^a
	Residual	20.021	117	.171		
	Total	50.798	122			

a. Predictors: (Constant), TPWE5, TAI5, TARQ5, TARtoC5, TATC5

b. Dependent Variable: TPAQ5

The above output table is the F-test. The linear regression's F-test has the null hypothesis that the model explains zero variance in the dependent variable (in other words $R^2 = 0$). The F-test is highly significant; thus, we can assume that the model explains a significant amount of the variance.

Coefficient of Regression Result:

Table 29: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.135	.300		-.452	.652		
	TATC5	.368	.073	.389	5.023	.000	.563	1.777
	TAI5	.246	.078	.219	3.147	.002	.698	1.432
	TARtoC5	.155	.072	.163	2.143	.034	.579	1.726
	TARQ5	.231	.089	.209	2.604	.010	.525	1.906
	TPWE5	-.007	.052	-.010	-.142	.888	.686	1.457

a. Dependent Variable: TPAQ5

From the above multiple linear regression model output, we find that TATC5, TAI5, TARtoC5 and TARQ5 are significant predictors of overall perceived audit quality. We can also see that TATC5 has a higher effect than other predictor by comparing the standardized coefficients (Beta = .389). Next to that TAI5 (Beta = .219) and TARQ5 (Beta = .209) are the significant contributors to overall perceived audit quality. From the list of significant predictors TARtoC5 contributes the least score to overall perceived audit quality with Beta of 0.163. The other explanatory variable (TPWE5) does not significantly affect the overall audit score.

From the table look at the significance and direction of the relationship predictors. Auditors' technical competence (TATC5, b=0.368) is significant (p=0.000) and the coefficient is positive which indicates that a higher auditors technical competence is related to higher overall audit quality, which is what we would expect. Samelson, Lowensohn & Johnson (2006) found similar result with this study that technical competence has a positive significant effect on perceived audit quality. This result is also similar with the focus-group discussions with audit expert, OAG management members and responses of open-ended questions.

Next, the effect of auditors' independence (b=0.246, p=.002) is significant and its coefficient is positive indicating that the greater the auditors' independence, the higher the perceived audit quality. This reflects managers, officers/directors and internal auditors of the auditee organization perceived that auditors' independence is an important predictor of overall audit quality. Lowensohn, Johnson, Elder and Davies (2007) also found similar result with reference to auditors' independence but it is unlike the result of Samelson et.al (2006).

Auditors' responsiveness to clients' needs is also significantly related ($b=0.155$, $p=0.034$) to overall audit quality at five percent level of significance. This is in consistent with the work of Carcello, Hermanson & McGrath (1992) and Behn et al. (1997).

Audit report quality ($b=0.231$, $p=.010$) seems to be related to overall audit quality positively. This indicates that Audit report quality is a significant factor in predicting overall audit quality - this result is expected. Audit report quality is assumed an important place by the perception of managers, officers/directors and internal auditors of the auditee organization to determine the overall audit quality.

On the other hand, physical work environment is not significantly related (TPWE5, $b=-0.007$, $p=0.888$) to overall audit quality - which is somewhat unexpected. This implies that for poor physical work environment there would be higher overall perceived audit quality.

Table 30: Collinearity Diagnostics^a

Model	Dimension	Eigenvalue	Variance Proportions						
			Condition Index	(Constant)	TATC5	TAI5	TARtoC5	TARQ5	TPWE5
1	1	5.916	1.000	.00	.00	.00	.00	.00	.00
	2	.029	14.295	.04	.03	.03	.00	.01	.89
	3	.018	17.923	.21	.73	.03	.03	.00	.00
	4	.016	18.966	.02	.01	.32	.56	.04	.07
	5	.011	23.020	.43	.02	.58	.27	.08	.04
	6	.009	26.194	.29	.22	.04	.14	.86	.00

a. Dependent Variable: TPAQ5

A condition index greater than 15 indicates a possible problem. An index greater than 30 suggests a serious problem with collinearity. In other expressions, the collinearity diagnostics confirm that there are serious problems with multicollinearity. Some of the eigenvalues are close to 0, indicating that the predictors are highly intercorrelated and that small changes in the data values may lead to large changes in the estimates of the coefficients. The condition indices are computed as the square roots of the ratios of the largest eigenvalue to each successive eigenvalue. Values greater than 15 indicate a possible problem with collinearity, greater than 30 a serious problem. None of these indices are larger than 30, suggesting there is no a very serious problem with collinearity. This was resolved after excluding due professional care from running into the regression analysis.

Table 31: Casewise Diagnostics^a

Case Number	Std. Residual	TPAQ5	Predicted Value	Residual
27	-3.124	2.67	3.9591	-1.29247
86	3.130	4.67	3.3719	1.29474

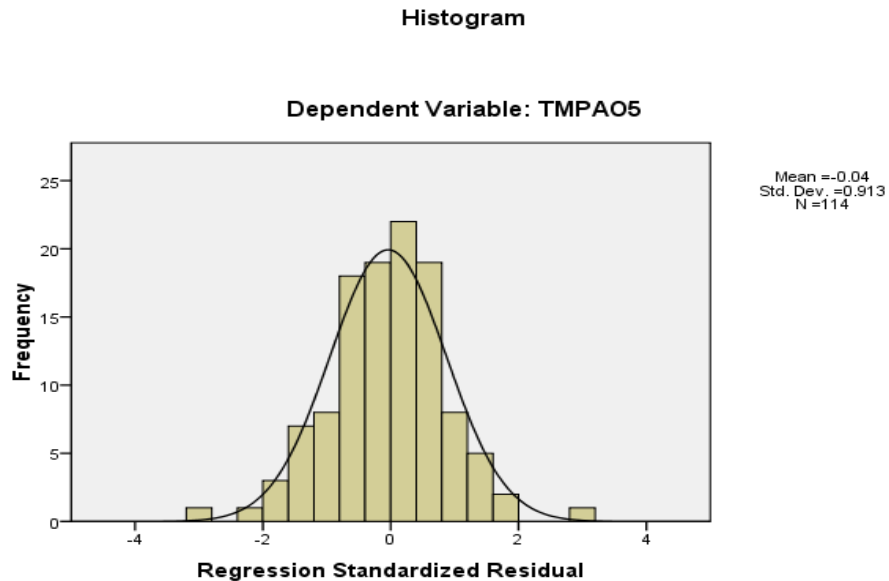
a. Dependent Variable: TPAQ5

The above table identifies the cases with large negative residuals. This means that, based on the overall audit quality predicted by the regression model, these two cases are not well represented by the model.

Histogram:

The Histogram of the Residual can be used to check whether the variance is normally distributed. A symmetric bell-shaped histogram which is evenly distributed around zero indicates that the normality assumption is likely to be true. If the histogram indicates that random error is not normally distributed, it suggests that the model's underlying assumptions may have been violated. As depicted in the plot hereunder there is a normally distributed plot of the residual term.

Figure 6: Histogram



Normal Probability Plot:

A normal probability plot of the residuals can be used to check whether the variance is normally distributed as well. Since the resulting plot is approximately linear (the little circles follow the normality line) depicted in the plot hereunder, we proceed assuming that the error terms are normally distributed.

Figure 7: Normal P-P Plot

Normal P-P Plot of Regression Standardized Residual

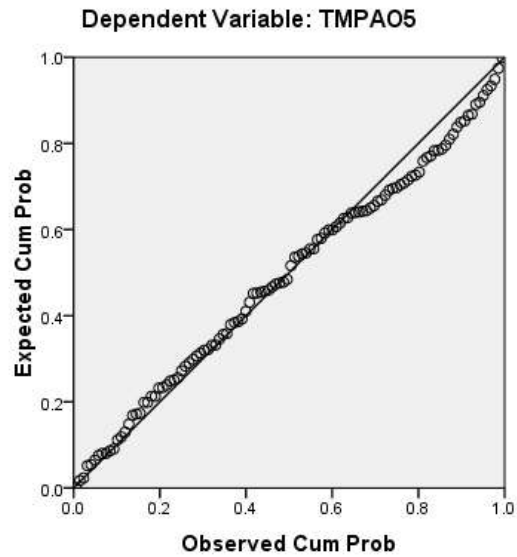
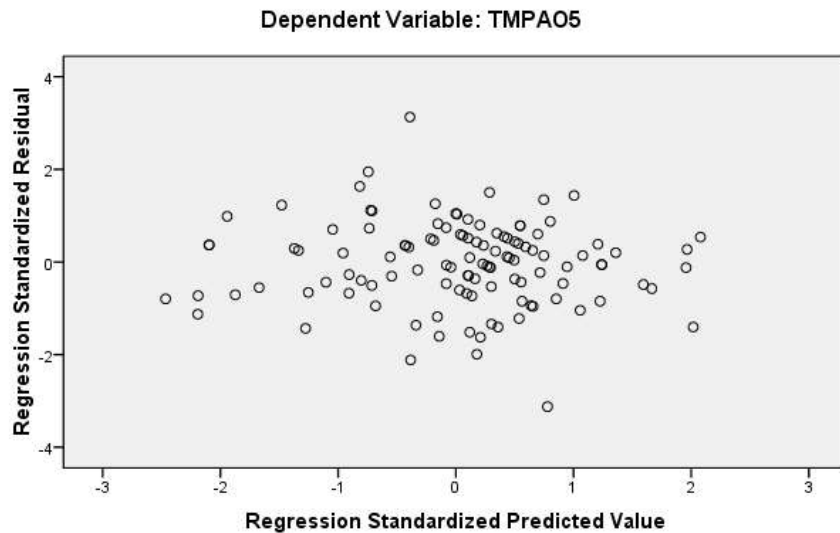


Figure 8: Scatterplot

Scatterplot



The third plot is a scale-location plot (square rooted standardized residual vs. predicted value). This is useful for checking the assumption of homoscedasticity. In this particular plot we are checking to see if there is a pattern in the residuals. If the visual observation you see on your plot is flat and horizontal with

equally and randomly spread data points, you're good. Here, we do see a horizontal line with randomly scattered data points around it, suggesting that the homoscedasticity assumption is satisfied here.

7.6 Hypothesis Tests

Based on the research findings and discussion, the results of hypotheses testing can be summarize as shown in table 32. The result of the regression analysis includes only five variables since the fourth variable (*Due professional care*) is excluded from the regression analysis due to multicollinearity problem. Accordingly, the following table depicts the results of five hypotheses testing.

Table 32: Results of Hypotheses Testing

Hypothesis	Proposed Hypothesis	Actual Result
H_1	<i>Auditor's technical competence positively significantly affects audit quality.</i>	Accept
H_2	<i>Auditors' independence positively significantly affects audit quality.</i>	Accept
H_3	<i>Auditor's responsiveness to clients' needs positively significantly affects audit quality.</i>	Accept
H_4	<i>Due professional care positively significantly affects audit quality.</i>	Excluded
H_5	<i>Audit reporting quality positively significantly affects audit quality.</i>	Accept
H_6	<i>Physical work environment positively significantly affects audit quality.</i>	Reject

8. Further Discussion and Interpretation of Results

Adapting an audit standard with international level is appreciable and the first step for conducting the audit activities efficiently and effectively. When such standards are institutionalized for this purpose all the mile stones of the audit process should be kept to the acceptable level. The audit procedures should not break at the beginning, middle or at the end in order to produce quality level. Auditing is the inter-connected activities of inputs, processes and outputs. For the input activities certain institutional issues which OAG need to consider when implementing international auditing standards. The successful implementation of the audit standards on an individual audit level requires and presumes equally well developed institutional structure within OAG. With this understanding OAG has good achievements and areas that need improvements as summarized in the following paragraphs in both institutional and individual-audit level.

Independence:

With reference to independence and legal framework of OAG in its existence, the appointment of the Head and the necessary degree of independence is spelled out in the regional constitution where the details are set out in the establishment proclamation. As an institution OAG is assured as independent of the executive body of government as per the constitution. The recently amended proclamation of the establishment of the office (Proclamation No. 267/2019) is expected to provide more freedom and independence in executing its audit services. There is **no major challenge** raised on the audit staffs' independence in executing their audit activities as it was confirmed in the FGD. But, **in the process of issuing the audit report auditors are indifferent** in the 1 to 5 category level and some of them have described their reservations in their autonomy where **pressure from politicians and directors** in the issuance of audit report. In addition, auditors can **access any information** and the discretion in selection of audit topics at the time of audit work unless it is confidential in nature like auditing the office of security and intelligence office files. The majority of **survey respondents** also indicated that information is accessible and auditors have **full access for the records** they are interested to include in their audit work. OAG also empowered to audit or cause to be audited organizations and bodies which have public and government interest. The office directly submits and presents reports to the council of the regional state.

There are issues to be addressed by OAG and stakeholders in order to execute an improved audit activity. OAG is restricted or limited at all in financial autonomy of the office, legal immunity for the head of OAG and –Members|| for collegial bodies, managerial and administrative autonomy, and human, material and monetary resources which is against the audit standards. Regarding the quality assurance of OAG, the office is subjected itself to be audited by OFAG and other regional OAGs irregularly. Even though the office subjected itself to be audited by external auditor the parliament or other government body do not appoint external auditor to do so. The audit findings taskforce team that oversees the audit findings do not have legal ground by itself where the taskforce was established based on their willingness who have other managerial office responsibilities in the regional government.

The independence of the audit team/auditors is not an issue here as it is confirmed in the survey result where respondents tended to agree except the reservation of some of the auditors in process of issuing the audit report. Specifically, there is no major issue raised by audited entity also on the independence of auditors. This is also confirmed by the group discussions.

Organization and Management:

When we come to the organization and management of OAG the auditor general and top manager are expected to set tools as plans and how they should be used efficiently the way a manager should behave as a leader. Accordingly, OAG have stated vision and mission, executes its activities based on the five-year strategic plan, annual operational plan and series of supervisions in principle. There is also an annual audit plan to meet their objectives. In order to measure the achievement of objectives BSC system is applied in the office. The organizational structure also defines lines of authority and responsibility which is a key input for the audit process. But, there is no clear line of authority between the main office at Bahirdar and branch office at Dessie. This was also confirmed by the survey responses from respondents where support and role of the main office to the branch office is not clearly defined.

OAG was interested to redefine the structure of the organization and an assessment was made. But, there is no interest from the respective bodies to support it. Responses for open-ended survey questions revealed that the senior management does not sufficiently support the implementation of the strategic plan and the Auditor General and top managers do not set the appropriate tone and direction for the organization. Top managers are expected to set important quality requirements for the audit where training plan for all auditor, training plan for new auditors and system for organizational learning, for example, are not in place. The head of OAG and top managers does not continuously inspire staff to comply with the approved standards and procedures and to make their best efforts to deliver quality services and products which is linked with the mandate of OAG. The office assign staff for the audit work only based on the available staffs rather than based on international practice or JEG requirements. This is directly linked with sufficiency and autonomy of the office described in the above paragraphs. In addition, OAG does not have sufficient resources to carry out both the planned audit activities and the development projects in the strategic and the annual work plans because of budget limitation and structural problems.

As an organization, OAG has Code of Ethics based on GAAS code of ethics which is not in compliance with INTOSAI code of ethics. When we come to adherence to the established code of ethics it was raised as a series problem among auditors that need further attention. Even there is no procedure to ensure that the audit staffs are adhered to the code of ethics. According to the group discussion the audit team members have maintained their independence, objectivity, impartiality and political neutrality throughout their audit work. But, regarding their engagement in the audit work some auditors leave their work and stay at some other place and comeback to finalize the audit activity. This directly linked with time management of the audit work.

In principle the council through Budget and Finance Standing Committee is responsible for oversight of the office. The standing committee lacks commitment and follow-up to support OAG in pursuing its activities. When the audit reports are presented to the regional council members of the council didn't challenge the executives in taking responsibility for the audit findings. But, the performance report of the office is not audited and no body enforces or encourages to do so. Even though the account of the office is audited by external auditor it is not regular and attention is not given by the council for this at all. The Audit Findings Taskforce that includes the heads or deputies of the Regional Government Anti-Corruption Commission, Prosecutor, Speaker of the Members of the Council, President, Bureau of Finance and Economy and Office of Auditor General is also concerned on the audit findings and follow-up rather than the audit quality. Even this committee has no clear roles and responsibilities to execute its activities where these committee members have extra higher responsibility in the regional government.

Human Resources:

For the management and development of managers and staff there should be clear human resource standards and policies. OAG have a human resource management department in charge with an approved job description for each position. OAG have the mechanism for identifying technical and management skill gaps and training is provided to address these gaps. There are also long-term training opportunities in the office. But, long-term trainings in the area of auditing and assurance for career developments in the country is not accessible that make it difficult for the offices human resource development. Short-term trainings are also not organized based on the competence level of the staff which is not delivered continuously.

In the FGD and document reviews we have found that OAG human resource management is based on the guidelines of the civil service commission which is difficult for the office to define the roles and responsibilities of the staff. OAG has some legal provisions for its independence, but this provision is not adequate and it is dependent on the executive for its human resource management. Any structural adjustment should be approved by the civil service commission. The minimum qualifications and the job description is specified accordingly. The FGD result and document analysis attachments depict that the staff does not have adequate knowledge and skills to execute OAG mandate as specified in the job description. In contrary to this result the survey finding indicates that respondents tended to agree on the technical competency and performance of auditors. This survey result (both OAG and auditee employees) is not in line with the document analysis in the individual regularity audit guideline where a number of formalities were either missed, copied from other documents or not properly filled. As we have seen in the above sub-section, unexperienced staffs in the area of auditing and accounting join the office

organization and then retention of experienced and skilled staffs is stated as a major problem of OAG. Various checklists in the individual document analysis indicates that the audit team composition is not similar with the job description and requirements specified in the civil service human resource guideline where OAG focuses more on the ethical behavior of field auditors rather than qualification of auditors. The response for the open-ended survey question also confirmed that auditors are not capable in performing the audit work.

The reward mechanism in place which is limited by the civil service commission forced a number of experienced and skilled auditors to leave the office for better job. When the salary and reward scheme mechanism is compared with development organizations there is huge gap in between these as the respondents perceived the benefit mechanism. Auditors' revealed that they are indifferent in their job satisfaction and tended to agree on the promotion mechanism of OAG in the level of 1 to 5 score which is against their responses for the open-ended question and FGD.

For the available staffs there is no proof of success measurement against the training plan/part of the annual working plan. Achievement is measured based on the number of trainings provided but not to its successfulness where the related staff remuneration and promotion mechanisms should also be attached to it. Survey response of auditors indicated that they are indifferent in the training schemes provided by their office. It has been found from document review training needs, FGDs and survey responses that there are number of training gaps auditors expect and recommended by auditee employees. Trainings related to accounting and auditing standards, applicable policies and procedures and computerized (IBEX and Peachtree) audit trainings are specific areas under the list. Specifically, auditing standard implemented by OAG is difficult to understand under the traditional training mechanism in place. Trainings that specifically identify the skill gaps and level of qualification should be assessed and provided regularly and/or continuously.

Audit Standards and Methodology:

The audit process covers from planning to the communication and reporting stage. OAG formally adopted ISSAIs which is decided by the discussion of office of auditor generals in the country at national level. Specifically, AFROSAI-E standard is in place which is in line with ISSAI. The office updates and aligns its audit manual with ISSAI and this manual is used by and accessible for all staffs.

Regularity audit, IT audit, performance audit and other types of audit can be implemented OAG focuses on regularity audit as a result of resource limitations and autonomy of the office to mobilize resource for this purpose. In differences of opinion there should be resolving mechanisms and pre-determined policies

that helps in settlement of issues with in OAG and with stakeholders. OAG does not establish policies and procedures on:

- ✓ regular audit document retention (except forensic audit),
- ✓ appropriate consultation takes place on difficult or contentious items,
- ✓ criteria to determine the audits which should be subjected to a pre-issue quality control review beyond after the regular supervision procedure, and
- ✓ dealing with and resolving differences of opinion within the audit team, with those consulted and, where applicable, between the audit team leader and /or audit director and the audit quality control reviewer, if any.

Because of lack of adequate resource all entities of the regional government are not audited annually covering revenue, expenditure and assets/liabilities. In the region there are around 1800 entities under the list of auditees. From this only 485 entities are prioritized to be audited. This is not the only problem; there is a limitation in identifying and planning these prioritized entities as well. So, there is a low coverage of auditing where 1372 entities were under the list of potential auditees in 2006 E.C and only 442 entities are prioritized for the audit in the same period. Assets and liabilities are not audited by the office that might be prone to embezzlement and manipulation. As a solution, outsourcing uncovered parts of the regional government resource is the best experience by establishing Audit Service Corporation.

Communication and Stakeholder Management:

Internal and external communication at OAG is used for disclosure of information to interested parties. The office has internal and external communication policy. The office is expected to have communication with different stakeholders. Primarily, the audited entity and the parliament (specially, through Budget and Finance Standing Committee) gets the audit reports when it is done. But, the standing committee lacks close supervision of the office, lack of attention and lack of professional knowledge and skill to pursue their duties. Furthermore, the head of OAG does not have regular meetings or hearings with BOFEC and other representatives of important stakeholders. The executives do not fully implement the Public Accounts Committee's or its equivalent recommendations even though there is Audit Findings Task Force. With regard to the audited entities the extent of the implementation of the audit recommendations is to a little extent or not at all. According to customer satisfaction survey by OAG the role of OAG is appreciated by the audited entities to a large extent. The survey results from this research study also indicates that respondents tended to agree on the audit responsiveness to clients' needs. On the other way, the audited entity is given a reasonable opportunity to respond to the management letter and exit conference instead of the draft audit reports.

In publicizing the audit findings to the media OAG makes the audit products public through its website, newspapers, and circulation of audit report copies to stakeholders. After the audit report tabled to the council OAG have the right to go to the media with its findings. With respect to the audit sector there is no arrangement for secondments between staff in OAG and in the private sector auditing firms. OAG does not recommend to do so since the private audit sector is blamed for their conflict of interest in their audit works in addition to the competency issues.

Monitoring and Evaluation of OAG:

OAG needs to have well developed ongoing system of monitoring and evaluation system to ensure its efficiency and effectiveness in discharge of its mandate and must be aware and well acquainted with its result. OAG tries to objectively measure its results using the Balanced Score Card (BSC). There is huge gap in ensuring the monitoring evaluation standards of the AFROSAI-E standards. OAG does not apply standardized performance measurement to assure whether there are acceptable quality performance measures or not. OAG does not have performance measures to assess the quality of audit products even though customer satisfaction is measured at the time of exit conference. In addition, it is hard to meet its deadlines for submission and delivery of its audit products for the individual audited entities. But, timely report is presented for the council. Even OAG does not have performance measure to assess the impact of its products. Quality assurance procedure is an important element of performance measures of audit firms. But OAG does not have an internal review function and effective Quality Assurance (QA) processes for the audit work. OAG does not have procedures to handle complaints and allegations concerning failures to comply with professional standards and regulatory requirements of non-compliance with OAG's system of quality control.

Individual Regularity Audit:

In pre-engagement activity of the regularity audit the audit teams used the checklists adopted from the standard. These formats are attached in the checklist throughout the engagement activities. Gaps like actual hour is not filled and compared properly in almost all audit files that we have observed and irregularity in the signature of the supervisor in the time budget. In all audit files that we have examined there is no time allotted for the supervisor in the pre-engagement activities, actual hour is recorded per audit partner but time is not budgeted for each partner and explanation for time variance after the completion of the audit work is not disclosed. The time budget of the AFROSI-E format is also modified when we compare it from the standard. As included in the competency matrix the workforce doesn't have the required degree of technical training and proficiency. Still there are appreciable works that the audit team members who have filled standard format in the appropriate manner. Ethical elements are stated in

general format but would be better if specified in detail as per the format can clearly indicate the responsibility of each audit team member and the group. In the responsibilities for audit review the team agreement is prepared but pre-engagement quality control checklist is not checked and signed by the appropriate level. Supervision reports are not attached in the working paper and we can't identify what they have reviewed and recommended at each stages of the audit.

With reference to strategic planning, in assessing materiality balances of the auditees' organization, the audit team identified via the lead schedule and cross referenced it to the final audited financial statement. But, materiality level is almost all reported as medium for different offices based on pre-determined risk levels by the office. Even checklists are not used for assessing materiality or it is not cross referenced with checklists. Qualitative materiality factors are not appropriately identified and documented where these are disclosed in general terms. It didn't disclose the effect of each qualitative factor on risk materiality levels. In addition, the statements used for each materiality planning checklist is the same across different audit files where due care and professional skepticism is in question here. But the survey result is almost the opposite of this in which respondents tended to agree on the due professional care of auditors. Additionally, the work performed by internal audit is not evaluated and tested to confirm its adequacy. In performing the preliminary analytical procedures, the audit teams performed only the budget variance analysis leaving the preliminary analysis undone. This makes it difficult to properly cross reference to material risk assessment. The audit strategy is expected to be approved, prepared, communicated and discussed to the auditee. But, it was not approved by the appropriate personnel even though there is evidence that indicates it was prepared, discussed and communicated to the auditee.

In the detailed regularity audit planning, the auditor's understanding of the business processes through system descriptions for all material audit components is a copy paste activity and similar phrases are used across different organization's audit files and audit teams. On the other hand, there is no risk or control weaknesses identified on each material audit components via the system description in some of the audit files. For the inclusion of controls in the system description prescribed by the relevant regulations, instructions and manuals most of the audit team included the prescribed rules and regulations even though some of the audit teams didn't prescribe it appropriately. But, they didn't include relevant rules and regulation for specific components. Even some of the stated rules included in the audit file are outdated and it didn't refer the updated rules and regulations. The documentation of audit files through a soft copy is held by individual auditors and will not be a property of OAG. Upon retirement of auditors in the office, even after a year, it is difficult to access the file when it is required.

In the conclusion and report activity of the audit standard a properly tailored management representation letter was not obtained which was signed on a date close to (but prior to) the signing of the audit report. This may result the problem of accountability on management of the entity and creates problem of awareness on the auditing process and its functions. In performing the final analytical review only comparison on budget (expenditure) was done even though it didn't follow the checklist provided by RAM. Different issues are resolved through the exit conference even though the draft management letter is expected to file evidences for resolving different issues raised between the two parties. The adequacy of communication with the auditee can be evaluated referring the engagement letter or entrance conference, discussion on overall audit strategy, audit query and exit conferences. The standard needs OAG to have adequate communication throughout the audit process and compile it in the final management letter with this regard. Working papers performed in soft copies for each entity doesn't exist for 3rd party verification. The results of the survey response revealed that respondents tended to agree on the audit reporting quality of the audit team.

The audit procedure assures the quality of audit outcome throughout the engagement if it is performed properly. As per OAG, there are a number of loopholes in following the AFROSAI-E standard for a number of reasons. In customizing the RAM of AFROSAI-E standard some of the components were overlooked and not included in the customized RAM that can improve the quality of audit if these standards are incorporated. As we have observed from the above paragraphs there are a number of inconsistencies and drawbacks in following the AFROSAI-E and the customized RAM standards by the audit team. This implies that the quality of audit was compromised by auditors through one or more of the irregularities in the audit engagement. In the group discussion with the audit managers we have understood that the strength of supervision in the office depends upon the efficiency and effectiveness of the audit managers. This problem is worsening in remote and areas where transportation is difficult for. We have observed that there are standardized audit forms that were exactly copied from other auditee files. The capability of some of the auditors is also inadequate to understand the RAM checklist in addition to the question of applicability of some of the standards as per the group discussion with audit managers and field auditors. The office focuses more on the coverage of audit (audit work) rather than the quality of audit as per the results of the discussion with audit managers and field auditors which is also confirmed by FGD with OAG management.

Quality of Audit in OAG:

The implications of using limited approaches in any line of inquiry result in investigating a problem from only a single angle. As a result, we can only investigate information that is connected to those lines of

inquiry. By instead engaging in multiple forms of inquiry, we can explore information that is not accessible through a single approach alone (Shannon-Baker, 2015, p. 36). Based on our mixed-research methods we have collected data from different sources and perspectives. The results of the quantitative data (through survey instrument) and qualitative data is contradictory. The quantitative data analysis from OAG and auditee employees survey instrument indicates that audit quality is good. When we come to the result from document analysis, focused-Group Discussion and responses for survey instrument open ended-questions we infer the same result – audit quality is compromised and at least it is diminishing to the recent periods when we compare it with last ten or five years. The use of multiple data sources in this study facilitated a holistic understanding of the quality of audit and the factors that affect it. The quantitative findings in combination with the qualitative findings promoted the formation of a more inclusive and nuanced description of the issue under study.

From both survey results (OAG employees and audited entity employees), we have already understood that respondents are tended to ‘agree’ on the quality of audit. The quality of audit reporting is also under this category. Against this result, the focus group discussion and the same survey respondents in their response for the open-ended questions explained that audit quality is poor and diminishing across the recent periods when it is compared with the previous ten years. Group discussions with top management, audit managers and field auditors in different times revealed that the quality of audit in the office is in question at the current time after some arguments in between them. They said that a number of audit reports that goes to court filing are not successful or failed to make accountable the responsible body on the audit findings. Otherwise, a number of explanations were requested from the prosecutor office to clarify on the audit reports. The audit reports do not clearly reveal the responsible person/body against the civil law and who made crimes. This is especially more visible in the forensic (special) audit. Quality is directly related with the ethics of auditors where some auditors do not present the majority of the audit time in their audit work place that they leave from field work for their personal interests. The quality of audit is determined by auditors where recruiting unskilled and unexperienced personnel and auditors lack training on computerized auditing. Supervision is also not properly performed which have key role in performing the audit activities. The findings of the document review also indicate that there are a number of inconsistencies and plagiarizing other’s audit files in filling audit checklists. From the ten audit files we have selected, there is no audit file which is free from errors and irregularities. But there are also audit files which have elementary gaps executing the majority of audit procedures properly. Accordingly, at the current period quality of audit in OAG is diminishing when it is compared to the previous periods.

If there is an Improvement in Audit Findings:

Data was collected to appreciate if there was an improvement in the audit findings in the audited entities. We have found that audit opinion did not improve across periods as a result of lack of proper follow-up by the concerned parties (including the executives) for the enforcement of audit findings. Some of the audit findings are not comfortable to take actions and vague in identifying the responsible party for that audit finding. This is directly related to the audit quality of OAG. There is no legal action taken at appropriate time on those individuals who are clearly responsible for the misuse of resources. We have also found that there are executives who lack understanding and the leadership ability to conduct the follow-up of audit findings. As a result of deterioration of the rule of law in the country there is an increased perception that says nobody is accountable for the audit findings s/he has responsible. There are circumstances where executives who are responsible to take corrective measures on the audit findings try to deliberately palliate and pressurize the auditors to make the work loose. There are individuals who involve in the sharing of illegally found benefits in the embezzlement of government resources who struggle to dysfunction the auditing process which is difficult to improve the audit quality. Audit quality is the coordination effort of various bodies: the judicial body, the executive, internal auditors, members of the council and auditors (OAG) where all parties have direct involvement in the improvement of audit quality.

Factors Affecting the Quality of Audit:

In order to answer this question, survey respondents and FGD participants were asked about their perception. From the regression result we have found that auditors' technical competence (Beta = .389), independence (Beta = .219), responsiveness to auditees' need (Beta = .163), and reporting quality (Beta = .209) are the significant contributors to overall perceived quality of audit. From the same respondents, FGD and responses from employees' of OAG for the open-ended questions, a number of factors were listed that affects the quality of audit. Experience of auditors, skill of auditors', employees' turnover, independence of OAG, adequacy of evidence, government support/attention, remuneration for auditors, level of education and knowledge in the area of accounting and auditing, and due professional care are the most repeatedly factors under the list of respondents that affects the quality of audit in OAG. Independence of auditors (absence of immunity), supervision, ability of trainers, responsiveness of audit findings and gaps, support of OAG for the audited entity, type of auditing applied, time budget for the audit work, transportation, and appropriateness of rules and regulations perceived by respondents to affect the quality of audit. In addition, skill of internal auditors, internal control system, structure of the internal audit, efficiency of management and motivation of auditors, documentation system (both sides), and

communication with the internal auditors and the legislative body are under the list of factors that affected OAG's quality of audit. Thus, continuous trainings that improve auditors' skill in the areas of tax, customer service, rules and regulations, proclamation, auditing standards, government accounting system and in related areas are the solutions proposed by the respondents in order to improve auditors understanding, skill, and devotion towards their job.

9. Conclusion

The purpose of this study is to examine the quality of audit and factors affecting it in reference with regional government office audit reports. Hence, based on the results and discussion of this study the following conclusions are drawn.

Even though the existence, roles and authority of the office is established in the regional constitution there is the risk of untoward executives'/politicians' interference on OAG in its autonomy. There is no legal immunity of the head of the OAG and -Members|| for collegial bodies in the normal discharge of their duties. Financial and administrative independence of the office was in question even though there is a green light in the new proclamation. The office is dependent on the executive for its human resource management. In line with this, OAG does not have sufficient resources to carry out the planned audit activities and the development projects because of budget limitation. The dissatisfaction of employees on the reward mechanism in place and turnover of employees comes next.

Top management do not continuously inspire staff to comply with the approved standards and procedures, dos not sufficiently support the implementation of the strategic plan and do not set the appropriate tone and direction for the organization. The office assign staff for the audit work only based on the available staffs rather than in line with the approved standards as a result of shortage and turnover of skilled staffs. We have found that employees require continuous and regular trainings accounting and auditing standards, applicable policies and procedures and computerized (IBEX and Peachtree).

OAG adopted international auditing standard and the office is expected to continue updating and aligning audit manual. Instead of the regularity audit performance audit provides rounded examination of the regions' resource utilization to achieve the intended plans and objectives. There is high audit risk in the regularity audit only by fulfilling the legal requirements even though government accounts are manipulated.

OAG does not establish policies and procedures on regular audit document retention (except forensic audit), appropriate consultation takes place on difficult or contentious items, criteria to determine the audits which should be subjected to a pre-issue quality control review beyond after the regular supervision

procedure, and dealing with and resolving differences of opinion within the audit team, with those consulted and, where applicable, between the audit team leader and /or audit director and the audit quality control reviewer. There is a low coverage of auditing in the region only performed by identifying potential auditees even though the procedure is questionable.

The head of OAG does not have regular meetings or hearings with BOFEC and other representatives of important stakeholders. The extent of the implementation of the audit recommendations is to a little extent or not at all in the audited entities. Respondents tended to agree on the audit responsiveness to clients' needs. The audited entity is given a reasonable opportunity to respond to the management letter and exit conference instead of the draft audit reports. In publicizing the audit findings to the media OAG makes the audit products public through its website, newspapers, and circulation of audit report copies to stakeholders even though these medias are not accessible to the general public. OAG does not have procedures to handle complaints and allegations concerning failures to comply with professional standards and regulatory requirements of non-compliance with OAG's system of quality control.

The quality of audit is compromised either through the customization process of AFROSAI-E standard or lack of proper supervision and negligence of auditors in following the customized RAM standard when we compare audit reports with audit standards. Some of the important components of AFROSAI-E standard that can improve the quality of audit work were disregarded in the customization process and a direct copy of other audit file forms was observed in our document analysis. There is limited capability and interest in strictly following the RAM standard by the supervisors and field auditors. The office focuses more on the coverage of audit rather than the quality of audit. In addition, relatively more attention is given to the audit reporting and communication activities than other audit works. Since audit engagement is a connection of a series of activities equal focus should be given to all components of the audit procedures.

Based on the holistic result we concluded that the quality of audit is compromised and at least it is deteriorating when it is compared to the previous years' results. OAG does not have quality assurance department and lack of over-sight body to audit the office with external auditor (like, Budget and Finance Standing Committee) to address its quality concerns. The standing committee lacks commitment and follow-up to support OAG in pursuing its activities. The office's audit quality has declining basically due to lack of auditors' commitment, lack of frequent supervision, the existence of high senior auditors' turnover, and the absence of a well-established quality assurance system.

In the attributes of auditors mixed result was observed. In terms auditor's independence there is no any visible act that could compromise their independence. Auditors' are responsive to clients' needs. But, there is a gap between the required competencies and the actual manpower assigned for the audit work, lack of auditors' commitment, lack of frequent supervision, and the existence of high senior auditors' turnover in the office.

There are a number of factors affecting the quality of audit. From the perception of respondents, we can say that skill of auditors, adequacy of audit evidence, experience of auditors, employee turnover, government support, immunity of auditors, independence of auditors, resources allocated to audit engagement, the control system, governance in the region, responsiveness of audit findings and knowledge of auditors about the government financial system are the major ones to name from the repeatedly factors cited by respondents. Political interference and pressure from external parties, and efficiency and honesty of top management are additional factors that can affect the audit quality.

From the regression result we can conclude that auditors' technical competence ($b=0.368$, $p=0.000$), auditors' independence ($b=0.246$, $p=.002$), auditors' responsiveness to clients' needs ($b=0.155$, $p=0.034$) and audit report quality ($b=0.231$, $p=.010$) are the significant predictors of overall perceived audit quality. But, it is not affected by the physical work environment. From the variables only, the physical work environment is not significantly related ($b=-0.007$, $p=0.888$) to the overall audit quality.

10.Suggestions

Based on the findings and conclusions of this research the following suggestions are forwarded.

ANRSOAG Management:

To promote audit quality in the office the role of the top management is a key input in the audit process. The office should establish the internal review function for effective quality assurance processes for the audit work. The SAI should improve the delivery of training and advisory service to auditees' employees other than external audits work. Continuous training should be provided to auditors on audit standards, government accounting system, computerized software, and rules and regulations that are very specific to the level of knowledge and skills of auditors. Top and middle level management members should understand their subordinates in order to build positive attitude in the office since they are the source of dissatisfaction for the employees of its office. The Auditor General(s) should also continuously inspire staff to comply with the approved standards and procedures and to make their best efforts to deliver quality services and products.

Assigning the appropriate staff with the necessary capabilities, competence and time to perform audits in accordance with professional standards and applicable regulatory requirements instead of the available staffs they have is the key challenge of OAG to find further solutions. Further actions are expected from the office in order to improve the skill and capability of auditors otherwise recruiting experienced and skilled manpower at the time of employment. The audit standards require OAG to establish policies and procedures on regular audit document retention, appropriate consultations on difficult or contentious items and their documentation, and criteria on differences of opinion. Establishing procedures to handle complaints and allegations concerning failures to comply with professional standards and regulatory requirements of non-compliance is also further responsibility OAG. Preparing and customizing the AFROSAI-E manual in both the regional states working language (Amharic) and English version that specifically considers the Ethiopia's working environment and movement of resources ease the understanding of auditors at different levels.

The audit coverage in the region is very low relative to the size of revenue, expenditure and asset/liabilities of the region where establishing the Audit Service Corporation under OAG is an alternative approach around the world. The process of risk assessment should be performed by the audit team members themselves rather than by the office as a pre-determined assessed risk including the test of internal controls that are used as a benchmark only. Conducting efficient and effective supervision process based on clear supervision guidelines contributes a lot for the audit procedure in the office since it highly determines the quality of audit. To better improve job satisfaction, training and development, physical work environment and autonomy of auditors OAG need to deal with itself and the legislative and executive body.

To ANRSOAG Auditors:

The standardized format adopted by OAG should be strictly followed by the different levels of auditors starting from the field auditor to the Auditor General. There are a number of irregularities in filling the standardized format and incomplete files. Specifically, signature of supervisors, pre-determined time allotted for audit supervisors and auditors, explanation for time variance, responsibilities of parties, activities and target dates for each activity should be properly revealed in the pre-engagement activities. Qualitative materiality factors should be appropriately identified and documented in the audit file. Auditors should identify control weaknesses on each material audit components and avoid plagiarizing of different organization's audit files in understanding of the business processes through system descriptions. Walk through control, test of control, reliance on control and system description should be properly and diligently filled. From their attributes auditors need much more improvement in their performance to satisfy audited entities and technical competence than others.

It is expected to apply proof of success measurement against the training plan/part of the annual working plan rather than based on the number of trainings provided. From their skill gaps auditors demand continuous trainings based on their level of competence and experience related to accounting and auditing standards, applicable policies and procedures and computerized (IBEX and Peachtree).

To ANRS Council/Regional Government:

To cover the size of the regional government resources to be audited and enhance the quality of audit in the region the government should have strong political will for ANRSOAG's independence and full support for the auditor general in the exercising of his/her mandate.

OAG assign auditors for the audit work based on the available staffs and do not have sufficient resources to carry out both the planned audit activities as a result of budget limitation and structural problem. In the new proclamation (Proclamation No. 267/2019) on staff management of OAG the regional government should provide independence for the office on the forthcoming regulations to be issued for a better human resource development. Adequate resource should be allocated to the office in order to cover the regional government accounts to be audited including the establishment of the Audit Service Corporation under OAG and arrangement of secondments. The OAG's accounts are not regularly audited and reviewed by external bodies which need the attention of the council. Performance audit provides more transparent and accountable account information of the region than regularity audit where resources should be allocated to do so. This also includes auditing resources of the regional government where only there is a low coverage of auditing in the region

To the Auditee Offices:

The audited entity officials are the most accountable individuals who are responsible to take corrective measures when audit gaps are found continuously for different periods and their support to the internal audit function that can contribute for an improved audit quality. They have to have high commitment on audit findings provided by the external auditor. The documentation system of the audited entities should be properly kept which makes that can help them to bring sufficient evidences at the time of external audit work and when court file is opened. When officials of the audited entity are responsible for the audit findings of the previous periods the burden and morale on the audit team members could be improved that helps to execute better audit quality.

For Further Researchers:

In the survey data collection from auditee offices data was collected only from managers, finance directors and internal audit team leaders. It would be better if further researchers consider the observation of other informed employees in the auditee offices with an increased sample size. There are a number of approaches in measuring audit quality. Further researchers can apply two or more alternative approaches to measure the quality of audit. Key variables in the external and internal environment were not taken into account for the regression analysis that can be additional perspective for further researchers. In addition, further researchers can quantify the quality of audited files with respect to compliance to audit standards in a single score rather than identifying the quality of audit through each element of the audit standard checklists.

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