



**FACTORS AFFECTING AUDIT QUALITY:
THE CASE OF OFFICE OF FEDERAL AUDITOR GENERAL,
ETHIOPIA**

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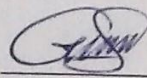
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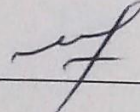
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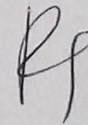
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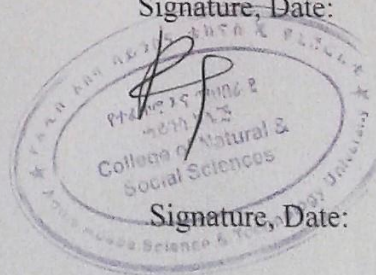
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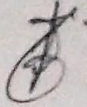
Declaration

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Abstract

This paper focuses on factors affecting audit quality in Office of the Federal Auditor General of Ethiopia as a case study. The general objective implied factors affecting financial and performance audit quality in OFAG. The independent variables of audit quality are motivation, independence, training, auditor's qualifications and proficiency, quality control and assurance, evidence and audit time budget. The study used descriptive and inferential statistics research design with mixed qualitative and quantitative methods where primary data was collected using Likert-scale questionnaires distributed and collected. A set of questionnaires was administered to 200 auditors out of the target population 400 auditors of OFAG in Addis Ababa, of whom 175 were responded. Secondary data was gathered from the office and different publications. Proportional stratified sampling technique has been used to analyze data collected through questionnaires of OFAG. Regression analysis was done to determine the relationship and the significance level of factors affecting towards audit quality. In general the respondents believe that audit quality in OFAG was low intention. The research concluded that Motivation, Independence, Training, and Audit time Budget are the only variables that have a positive and significant effect (at 5% significant level) on Audit quality; while the other variables (competency, evidence, and quality control and assurance) seem to have no significant effect on Audit quality. The study recommend that OFAG should improve audit quality through motivation, independence, training, competency, quality control and assurance, sufficient and appropriate audit evidence and adequate audit time budget.

Keywords: Audit Quality, Factors, Financial and Performance Audit, OFAG

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Acronyms and Abbreviations

AFROSAI-E	The African Organization of English-speaking Supreme Audit Institutions
EU	European Union
FRC	Financial Reporting Council
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
ICAEW	Institute of Chartered Accountants in England and Wales
IFAC	International Federation of Accountants
INTOSAI	International Organization of Supreme Audit Institution
IES	International Education Standard for Professional Accountants
OFAG	Office of Federal Auditor General
SAI	Supreme Audit Institution

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CHAPTER ONE

Introduction

The purpose of this chapter is to provide general information about the thesis and also incorporate the following sections. The first section present the general background information of the study, the second section sets out the statement of the problem, the third section puts the objectives of the study, the fourth section outlines the research questions, methodology is presented in the fifth section, the sixth section outlines the scope and limitations of the study and it is followed by the seventh section significance of the study and organizations of the chapter is presented at the end section of this chapter.

1.1. Background of the study

Audit quality and the factors that affect quality has been the subject of interest in academic, practitioner and regulatory debates about auditing following a series of corporate collapses. As a result, there have been considerable developments in the auditing, financial reporting and governance regimes by regulators and professional bodies in the name of enhancing audit quality. Regulators, such as the International Auditing and Assurance Standards Board (IAASB), have published a framework for audit quality, which discusses various pertinent factors affecting audit quality in practice (IAASB, 2014). Earlier, the Financial Reporting Council (FRC) released a discussion paper identifying the drivers for audit quality (FRC, 2008). In like manner, the Institute of Chartered Accountants in England and Wales (ICAEW) (2002) issued a report to frame concepts and various factors affecting audit performance. Similarly, research in the academic domain has examined the concepts and various factors affecting quality differentiation between audit firms and auditors (As cited in Muhamad, Sulaiman & Yasin, 2018).

The IAASB (2013) framework; in 2011, the IAASB published a document entitled "Audit Quality: An IAASB Perspectives". In 2013, this organization published an advisory, entitled "A Framework for Audit Quality" in which the IAASB proposes a framework from the perspective of the Council for the International Standardization of Audit Quality. The IAASB audit quality framework comprises

four factors related to audit quality, namely: Inputs, Outputs, Context, and Interactions; (1) Inputs: the values, ethics and attitudes of auditors; knowledge and experience of auditors and time allocated to perform the audit; and the effectiveness of audit process and quality control procedures. (Professional attitude -Auditor qualifications and proficiency, Industry expertise, Experience, Audit time, Auditor's independence, Audit process and Quality control procedures) (2) Outputs: the value and timeliness of auditor's report; and the audit firm's related factors. (3) Interactions: effective interactions between auditors, management, those charged with governance, regulators and users. (4) Contextual factors: business practices and commercial law; laws and regulations relating to financial reporting; the applicable financial reporting framework; corporate governance.

In Ethiopia, The Office of the Federal Auditor General is already provided with mandates to undertake an audit in the public sector. Therefore, The rationale for researcher to study the factors that affect financial and performance audit quality in OFAG, because of the issue of audit quality has been enhanced by AFROSAI-E and craved OFAG (member of AFROSAI-E) to give high attention to this audit quality issue. And also, the reason that was inspire the researcher to the title was financial and performance audits are the major mandate for OFAG thru tried to focusing input, process and output factors.

1.2. Background of the Organization

The history of auditing in Ethiopia dates back to 1944 proclamation No.69/1944 an Audit was established under the Prime Minister. The Commission had responsibility of examining and controlling the accounts of Minister of Finance. In 1946, Proclamation No.79/1946 was provided to centralize the audit and control of all Government accounts in one department by establishing the Audit control Office under the direction of Comptroller and Auditor General who reported and was directly responsible to the Prime Minister (<http://www.ofag.gov.et/>).

Subsequently, the functions of Auditor General were amended by decree No. 32 of 1958 which was later renumbered as Proclamation No. 179/1961 (1954 E.C.). This Proclamation has dealt with the appointment and independence of the Auditor

General in addition to defining its power and duties, which include auditing the accounts of all autonomous bodies existing by virtue of imperial charters (chartered organizations). The Auditor General was then appointed by the Emperor and reported to him and the Parliament (<http://www.ofag.gov.et/>).

After the Ethiopian proclamation No.164/1979 (1971 E.C.) was enacted to redefine the powers and duties of the Auditor General giving him additional responsibility of auditing mass organizations, development projects as well as conducting performance auditing (<http://www.ofag.gov.et/>).

Later on, the national shengo provided proclamation No.13/1987 to establish the Office of Auditor General of the Democratic Republic of Ethiopia. This proclamation was in effect until the country introduced the new Federal Government structure in 1994. According to the constitution 1995, proclamation No.68/1997 and recently proclamation No.669/2002 was enacted to establish OFAG which gave the power duty to undertake Financial and Performance audit on accounts of the Federal Government Offices and Organizations, accounts involving budgetary subsidies and special grants extended by the Federal Government to Regional States. Also the office submits a consolidated annual audit report on the activities of the Office of the Federal Auditor General to the House of Peoples' Representative (<http://www.ofag.gov.et/>).

In 2016 a new proclamation No. 982/2016 is proclaimed. Proclamation No.982/2016 provides for the amendment of the existing establishing proclamation of the Office of the Federal Auditor General Office, has proposed more responsibility to the Office including undertaking audit on utilizations of loans that government receives from lenders as well the information technology (IT) projects been implemented by many federal government institutions (<http://www.ofag.gov.et/>).

Visions: -Strengthening the performance, transparency, democratization, accountability as well as the good governance the federal government for the benefit of the Ethiopian people.

Mission :-exist to deliver reliable and objective information throughout audit report to support the House of Peoples’ Representatives to carry out its responsibility, strengthen the performance and accountability of the federal government for the benefit of the Ethiopian people.

Goals :- Enhance audit coverage and deliver timely audit reports in order to strengthen accountability, transparency and good governance and Build capacity for efficient and timely service delivery.

1.3. Statement of the Problem

As well as being an integral part of compliance and regulatory requirements, audits are essential for assessing the success of processes, products and systems whether existing or newly-implemented. They are also a vital tool for verifying objective evidence of processes, and providing evidence for the reduction and elimination of any problem areas.

To ensure maximum benefit for an organization, quality auditing should highlight examples of good practice, rather than simply identifying non-conformance, process issues, and corrective actions. This will allow other departments to share information and adjust their working practices, delivering continuous improvement as a result (<https://www.juran.com>).

The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements and that is achieved by auditors gathering sufficient appropriate audit evidence in order to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework (<https://www.accaglobal.com>).

The main mandate of the OFAG is to provide independent assurance to the federal government that adequate and reliable information for proper leadership and administration of the country’s economy is functioning as legislated as well as to enhance accountability, transparency and good governance across the structure of the Federal government institutions and public bodies. OFAG undertake types of financial, performance, environmental audit, information technology (IT) audit,

special audit and other audits of the offices and organizations of the federal government.

However, as per the literature, some factors like Auditors competency, quality control and assurance, audit budget time, evidence, training and motivation, threats of independency most likely affect the quality of an audit. There are many researches done on audit quality in other countries. But, there are only limited studies done on audit quality in Ethiopia and the researchers used different variables and case of study for the thesis.

The few studies are (Solomon, 2016) examined factors affecting quality of external auditing of Ethiopian commercial banks whether audit quality is influenced by audit firm tenure, audit firm industry specialization, audit fee, bank size, leverage position of the bank and profitability of the bank.

(Ejigsew, 2016) studied the impact of provision of non-audit service (NAS) on auditor independency and audit quality.

(Tensae, 2017) on his study determinants of external audit quality of Ethiopian audit firms used audit firm variables of independence, audit experience, accountability, audit fee, firm size and regulation. (Habtewold, 2017) Studied Factors Affecting The Quality Of Performance Audit on the case of OFAG and used the following factors like Auditors competency, Work place absenteeism, Written Guidance, quality control assurance, evidence, training and motivation, threats of independency,

There is a need to study the basic problem and their causes that has stated on annual reports of OFAG previously, thus the researcher has been seen high auditors turnover, a gap of consistence quality control and motivation on each audit stage, several years of experience is necessary for staff auditors, but almost half of the staff has less than five years' experience and this tends to a large burden on those experienced managers and senior auditors to guide and train the new staff of financial and performance auditors. Consequently, it becomes a serious challenge for OFAG and to conduct high quality audit(OFAG, 2016, 2017, 2018, 2019).

Therefore, this study tried to feeling the gap by focusing on the quality of both performance and financial audit in OFAG.

1.4. Research Question

To examine the statement of problem developed the following research questions are established.

1. Can motivation of auditors affect the quality of financial and performance audit?
2. Can Independence affect the quality of financial and performance audit?
3. Does auditor's qualification and proficiency affect the quality of financial and performance audit?
4. Can Quality Control and Assurance affect the financial and performance audit quality?
5. Can Training of auditors affect financial and performance audit quality?
6. Can evidence collected from the Auditee affect the quality of financial performance Audit?
7. Can audit time budget affect financial and performance audit quality?
8. Which factors are highly affecting the Audit quality in OFAG?

1.5. Objectives of the study

In light of the problems, which are discussed in the above, the study had both general and specific objectives.

1.5.1. General Objective

The overall objective of this thesis has objected what factors that Affect Audit Quality of Federal Auditor General in Addis Ababa, Ethiopia.

1.5.2. Specific Objectives:

The specific objectives of the study are:

- ✓ To identify motivation factor that affect financial and performance audit quality in OFAG.
- ✓ To pinpoint threats of independence factor that has an effect on financial and performance audit quality in OFAG.
- ✓ To identify quality control and assurance, and auditors' competency factors have an impact on audit quality in OFAG.
- ✓ To identify training, evidence, audit time budget variables that have an impact on audit quality in OFAG.
- ✓ To determine the most important factors affecting financial and performance audit quality of OFAG.

1.6. Scope of the Study

1.6.1. Variable Scope

The study encompassed factors: motivation, independence, training, quality control and assurance, auditors' competency, evidence and audit time budget that effects on financial and performance audit quality in OFAG.

1.6.2. Geographical and Audit Type Scope

OFAG undertake types of financial, performance, environmental audit, information technology (IT) audit, special audit and other audits of the offices and organizations of the federal government. But, this study fixated on factors that affect financial and performance audit quality that are conducted by external auditors of the head office Addis Ababa.

This study excluded the private external audit firm, the audited office and regional branch offices of OFAG.

1.6.3. Time Scope

The research has covered from 2017-2020 years data. The study was done from October, 2019 to July, 2020. The study focused on external financial and performance; auditors, senior auditors, audit managers and audit directors of OFAG.

1.7. Limitation of the study

The researcher faced the following challenges;

- The research has started late, because of the advisor did not assign on time.
- There was difficult to communicate with advisor as intended due to COVID-19.
- To collected the remaining uncollectable questionnaire; most auditors have sat at home due to COVID-19.

1.8. Significance of the study

The importance of this study is mainly for the audit industry in the country. The following significance can be attained after completion of this research paper.

- It gives information to OFAG and auditors about the factors that affect audit quality so that they use this information in enhancing audit quality.
- The study adds knowledge on the field of governmental external audit quality in Ethiopia.
- It may motivate for further studies on audit quality from the different factors of audit quality.
- It may serve as reference for future researches on audit quality.

1.9. Organization of the study

This study is organized in to five chapters. The first chapter dealt with the problem and its approach. The second chapter focuses on the literature review followed by the third chapter that deals with research design and methodology, and chapter four data presentation and analysis. The last chapter presents summery of findings, conclusion and recommendation part of the study.

CHAPTER TWO

LITRATURE REVIEW

The first chapter introduced the problem to be investigated in this study and objectives. Literatures included under this chapter are based on the relevance and relationship with the research subject matters. Since the researcher focus on the factors that affect the performance and financial audit quality of OFAG.

This chapter is organized in to three sections. The first section deals with the theoretical underpinnings in connection with audit quality definition and factors that affecting audit quality. The second section deals with empirical studies regarding audit quality from the extant literature. The final section presents the summery and conclusion of literature review and identification of knowledge gap.

2.1. Theoretical review

This section tried to elaborate different theoretical overviews related with the audit quality. In order to relate different theories with this study, the researcher tried to explore varieties of theoretical issues from different authors.

2.1.1. The Development of Auditing

The term “audit” comes from the Latin word meaning “a hearing”. Auditing originated over 2,000 years ago when, first in Egypt, subsequently in Greece, Rome and elsewhere, citizens (or, sometimes, slaves) entrusted with the collection and disbursement of public funds were required to present themselves publicly, before a responsible official (an auditor), to give an oral account of their handling of those funds (Porter, 2014).

The development of Auditing during the advent of the industrial revolution (period of 1844 – 1920s) was centered in the UK. Because of the emergence of large scale industrial and commercial enterprises and the displacement of individual joint ventures by continuing corporation, the UK joint stock company act was passed in 1844. Following the provision of the act, companies were required to comply certain regulations; For example submission of balance sheet to the shareholders

setting out the state of affairs of the company, and the appointment of auditor by the shareholders. The auditor, who was usually appointed from the shareholders, required to examine the company's records at reasonable time intervals throughout the year and report to the company's shareholders whether the balance sheet gave a 'full and fair' view of the company state of affairs .

The growth of the US economy in the 1920s-1960s had caused a shift of auditing development from the UK to the USA. In the years of recovery following the 1929 Wall Street Crash and ensuing depression, investment in business entities grew rapidly. Meanwhile, the advancement of the securities markets and credit-granting institutions had also facilitated the development of the capital market in this period. As companies grew in size, the separation of the ownership and management functions became more evident. Hence to ensure that funds continued to flow from investors to companies, and the financial markets function smoothly, there is a need to convince the participants in the financial markets that the company's financial statement provided a true and fair portrayal of the relevant company's financial position and performance (Porter et al., 2014).

The world economy continued to grow in the 1960s-1990s. This period marked an important development in technological advancement and the size and complexity of the companies. Auditors in the 1970s played an important role in enhancing the credibility of financial information and furthering the operations of an effective capital market (Porter et al., 2014).

Present-day auditing has developed into new processes that build on a business risk perspective of their clients. The business risk approach rests on the notion that a broad range of the client's business risks are relevant to the audit. Advocates of the business risk approach opined that many business risks, if not controlled, will eventually affect the financial statement. Furthermore by understanding the full range of risks in businesses, the auditor will be in a better position to identify matters of significance and relevance to the audit profession on a timely basis (Teck-Heang & Ali, 2008).

The Ethiopian auditing practice has been started through government auditing dates back the early 1931 constitution, which stressed the importance of the proper collection of the state revenue and the necessity of procedures to control expenditures but stopped short of either referring to or requiring any audit as such.

This, in fact, had to wait for proclamation 69 of 1944, which established the Commission for Audit which was largely responsible for the examination and control of the accounts of the Ministry of Finance and was directly accountable to the Prime Minister. Articles 120 and 121 of the revised constitution of 1955 clearly conferred the rights and duties of auditing all ministries, departments, and agencies to the Auditor General, whose office was then established as a separate, independent entity that reported directly to the Emperor and to the Parliament (Beyashe, 2008).

According to ISA 200, the purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework (Kaplan Publishing UK, 2015).

Audit quality is normally related to the ability of the auditor to identify material misstatement in the financial statements and their willingness to issue an appropriate and unbiased audit report based on the audit result (Suseno, 2013).

As international accounting standards acquired more authority, logic dictated a set of international auditing standards collateral to them. Auditing standards were required by multinational corporations that wanted consistent auditing throughout the world. With a set of international standards adopted for the world, international investors can be more confident in financial statements prepared in another country. The nondomestic auditor's opinion will lend as much credibility as a domestic auditor's opinion. In the Peoples' Republic of China, Chinese Accounting Standards (CAS) is becoming more and more in line with IFRS. While CAS is needed for specific Chinese circumstances, convergence with IFRS is seen as equally important to reach international harmonization (Usman, 2016).

2.1.2 Frameworks of audit quality

First of all, audit quality can be divided into perceived audit quality and actual audit quality (Jackson, 2008). This paper concerns actual audit quality, which can be measured by different proxies. Audit quality is much debated but little understood. Audit quality is not a unitary concept. It should be divided into:

- 1. Quality of service;** that is, factors which affects the client's experience of the audit process
- 2. Quality of opinion;** that is factors which contribute to a process which is likely to reach the right answer which is the concern of this research.

The two aspects can sometimes be in conflict, but the key to success is delivering the highest “quality of service” without compromising on the “quality of opinion”. Despite more than two decades of research, due to the apparent conflicting roles of participants in the audit market there remains little consensus about how to define, let alone measure, audit quality. To start, it is important to note that the perception of audit quality can depend very much on whose eyes one looks through. Users, auditors, regulators, and society; all stakeholders in the Financial reporting process may have very different views as to what constitutes audit quality, which will influence the type of indicators one might use to assess audit quality. The user of financial reports may believe that high audit quality means the absence of material misstatements. The auditor conducting the audit may define high audit quality as satisfactorily completing all tasks required by the firm's audit methodology. The audit firm may evaluate a high-quality audit as one for which the work can be defended against challenge in an inspection or court of law. Regulators may view a high-quality audit as one that is in compliance with professional standards. Finally, society may consider a high-quality audit to be one that avoids economic problems for a company or the market. In the end, different views suggest different metrics.

To reconcile different viewpoints and to begin to understand what the absence of high quality may look like, the researcher has reviewed the two main schools of thoughts in audit quality research.

2.1.2.1. IAASB Framework on Audit Quality:

As research on audit quality is still unsatisfying, some non-academic institutions set up different frameworks. The latest framework (still in draft), an international one, have been conceived by IAASB.

In an overall approach IAASB (2011) considered all possible influences of audit quality which are categorized as: (1) Inputs, (2) Outputs, (3) interactions amongst key stakeholders and (4) contextual factors.

The IAASB drafted the first version of its framework in a whitepaper in January 2011. The whitepaper states that “there have been a number of attempts to define audit quality in the past; however, none of those definitions has achieved a universal recognition and acceptance.

“Audit quality is, in essence, a complex and multi-faceted concept.” After several IAASB sessions, a sketch of the framework was developed capturing the relationships between the elements: context, inputs, outputs, and interactions. Inputs are categorized into three groups: “(a) the values, ethics and attitudes of individual auditors, (b) the knowledge and experience of auditors and the time allocated for them to perform the audit; and (c) the effectiveness of the audit process and quality control procedures.” Outputs are “often determined by the context, including legislative requirements” and can be influenced by stakeholders; “for some companies’ stakeholders, the auditor’s report is the primary output and this is relatively standardized.”

Interactions amongst key stakeholders include “both formal and informal communications, which will be influenced by the context in which the audit is performed and allow a dynamic relationship to exist between inputs and outputs” elements of the framework.

The contextual factors include “corporate government requirements and the applicable financial reporting framework” as well as “legislative and regulatory requirements”, which also “shape the interactions amongst key stakeholder.”

2.1.2.2. UK Financial Reporting Council's Framework on Audit Quality

A similar framework was set up five years earlier by the UK Financial Reporting Council.

The Financial Reporting Council identified four main drivers for audit quality: (1) the culture within an audit firm; (2) the skills and personal qualities of audit partners and Staff;

(3) The effectiveness of the audit process; and (4) the reliability and usefulness of audit reporting.

The focus in both frameworks (the UK FRC and the IAASB one) is on a process view of auditing where inputs are combined efficiently in order reach a certain outcome (assurance level), embedded in a specific contextual environment.

On a content view, the UK Financial Reporting Council covers the same elements and attributes like the IAASB does. However, the IAASB framework on audit quality is more comprehensive and detailed. Hence, the FRC's framework on national level will probably be obsolete soon and replaced by the pending international one from the IAASB.

2.1.3. Deangelo's Definition of Audit Quality

(De Angelo, 1981) defines audit quality as "the market-assessed joint probability that a given auditor will both discover a breach in the client's accounting system, and report the breach to the third parties." This definition contains two aspects of audit quality: (1) the probability to detect misstatements depends on the auditor competence, experience, procedure employed on a given audit, the extent of sampling, and auditor audit technology and (2) the independence of the auditor, how independent is the auditor from the client to report such misstatements.

Although this is the most cited definition of audit quality, the problem is that audit quality according to this definition cannot be observed let alone measured. Hence audit quality measures based on this definition are indirect methods of measuring audit quality with the aid of indicators. Hence, DeAngelo's definition connects audit quality one to one with financial reporting quality and the researcher

understood for his study how auditors' competency, experience and independency were crucial indirectly for OFAG in Ethiopia.

Followers of this thought of school, for instance, Palmrose (1988) accuracy of information auditors provide to investors, Epstein and Geiger (1994) the probability that an auditor detects and reports misstatements and Knechel (2013) Audit quality is the achieved assurance level.

Although initiatives by regulators and professional practitioners influence the contemporary understanding concerning the concepts of audit quality, neither party have defined the term precisely. Research in the professional literature is inclined to define audit quality as conformance to the auditing standards during audit performance (Krishnan & Schauer, 2001). In comparison, various academic research approaches have conceptualized and measured audit quality in several ways including a combination of measures linking inputs (such as size of audit firm and audit fees) to audit outcomes (such as financial reporting quality and accurate audit opinion) (Feroz, Park, & Pastena, 1991; Becker, Defond, Jiambalvo & Subramanyam, 1998; Gul, Sun, & Judy, 2003), process measures that are related to auditor performance in the audit process (Sutton, 1993; Malone & Roberts, 1996), and studies of the perceptions of the users and preparers of financial statements on audit quality (Schroeder, Solomon, & Vickrey, 1986; Carcello, Hermanson, & McGrath, 1992; Duff, 2009; Daniels & Booker, 2011; Fontaine, Khemakhem, & Herda, 2016). As a whole, there has been little agreement on a unified definition and measure of audit quality (Krishnan & Schauer, 2000; FRC, 2008), which might be due to the unobservable features of audit quality (Power, 1997). In addition, the definition or understanding of audit quality may be different from the perspectives of audit participants (e.g., investors, regulators and audit committees) in the audit market because of their different roles and expectations (Sutton, 1993). Consequently, audit participants employ different conceptions and approaches to its assessment (Rasmussen & Jensen, 1998; Watkins et al., 2004). Hence, operationalizing the concepts of audit quality and the influential factors are open to further investigation (Nelson & Tan, 2005; Knechel, 2013).

The standing advisory group (SAG), which is a sub-group of the Public Company Accounting Oversight Board (PCAOB), has defined the factors of audit quality as follows; motivation of personnel (who perform, supervise and reviews the work), integrity, objectivity, intelligence, competence and experience (Tritscher, 2013).

2.1.4 Level of Compliance with Standards

Another approach to define audit quality is a more normative way of thinking. This approach where audit quality goes along with the level of compliance with auditing standards is represented, for instance, by Ang and Cole (1993), Becker et al. (2004), Bagnoli, Penno and Watt (2001).

The auditor performs with excellent quality if he/she complies completely with all relevant standards. In this perspective, the level of compliance with auditing standards reflects the level of audit quality. Peer review findings, inspection results of oversight boards (such as the OFAG in Ethiopia) as well as lawsuits against auditors are in this case the best indicators for audit quality. Criticism of this approach is evident. The overall objective of an audit is not to best comply best with relevant standards; instead it is to ensure high quality financial reporting.

The European Commission explicitly stated that "Audit Policies: lessons learned from the crises" that "more substance over form" is needed not only in IFRS accounting but also in financial statement auditing as the following citation describes:

From a user perspective, auditors should provide a very high level of assurance to stakeholders on the components of the balance sheet and the valuation of those components at the balance sheet date. The Commission wishes to explore the case for 'going back to basics' with a strong focus on substantive verification of the balance sheet and less reliance on compliance and systems work, that is tasks that should primarily remain the responsibility of the client and in the main be covered by internal audit.

Auditors could disclose which components were directly verified and which were verified on the basis of professional judgment, internal models, hypotheses and

management explanations. To provide a 'true and fair view', auditors should ensure that substance prevails over form.”

2.1.5. Comparison of Performance and Financial Audits

Table 2. 1 Differences and Similarities among Performance and Financial Audits

Areas of Difference	Performance Audit	Financial Audit
Objective (purpose)	To assess economy, efficiency and effectiveness. The desired outcome of the audit is usually to make improvements to the existing level of the audited entity’s performance.	To assess the overall fairness of the financial statements.
Areas of Difference	Performance Audit	Financial Audit
Criteria Used	The audit objective(s), audit questions and audit criteria used by the auditor are based on the three Es of economy, efficiency and effectiveness.	The criteria used by the auditor are the financial statement assertions such as completeness, existence/occurrence, valuation/measurement and classification/disclosure.
Scope	Can cover a broad range of activities and complex issues that are not pre-set.	Focuses on financial statements.
Frequency	Aside from audits required by a loan/grant agreement or other similar agreement, tend to be discretionary and are performed on a non- recurring basis.	Are usually mandatory and are performed every year.
Period Covered	Aside from audits required by a loan/grant agreement or other similar agreement, is discretionary.	Same as period covered by financial statements being audited. Therefore, usually cover one fiscal year.

Nature of Report	Long form report. Overall opinion/ conclusion may be expressed but is not required. (Conclusion only required at audit objective level.)	Short form report with overall opinion expressed.
Areas of Similarities	Performance Audit	Financial Audit
Areas of Similarities	Performance Audit	Financial Audit
Level of Assurance	Reasonable (i.e., obtaining sufficient and appropriate audit evidence to reduce risk of an incorrect conclusion to an acceptably low level).	Reasonable (i.e., obtaining sufficient and appropriate audit evidence to reduce risk of an incorrect opinion to an acceptably low level).
Understanding of Internal Controls	Minimum required. More if reliance intended.	Minimum required. More if reliance intended.
Consideration of fraud of use of professional skepticism	Required.	Required.
Consideration of compliance with authorities	While not explicitly required by the ISSAIs, would be rare for the audit criteria not to include a consideration of the related authorities. Therefore, auditor almost always considers whether the relevant authorities are being complied with.	The ISSAIs require the auditor to include an audit of the authorities related to the financial statement assertions (see “Criteria Used” above).

Source: (OFAG, 2018), Performance audit manual)

2.1.6. Factors affecting Audit quality

2.1.6.1. Independence

The auditor is subject to independence and other ethical requirements, which ordinarily comprise Parts A and B of the International Federation of Accountants' Code of Ethics for Professional Accountants related to an audit of financial statements together with national requirements that are more restrictive.

The concept of independence refers both to the state of mind of the auditor and independence in appearance. The independence of the auditor from the entity whose financial statements are subject to audit safeguards the auditor's ability to form an audit opinion without being affected by influences that might compromise that opinion. Independence enhances the auditor's ability to act with integrity, to be objective and to maintain an attitude of professional skepticism (IFAC, 2007).

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.
- Auditors should strive not only to be independent of audited entities and other interested groups, but also to be objective in dealing with the issues and topics under review.
- It is essential that auditors are independent and impartial, not only in fact but also in appearance.
- In all matters relating to the audit work, the independence of auditors should not be impaired by personal or external interests. Independence may be impaired, for example, by external pressure or influence on auditors; prejudices held by auditors about individuals, audited entities, projects or programs; recent previous employment with the audited entity; or personal or financial dealings which might cause conflicts of loyalties or of interests. 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 SAI's 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 auditors' own conclusions should not be affected by such views (INTOSAI, n.d).

2.1.6.2. Quality Control and Assurance

One cannot take a quality system for granted. Describing procedures and policies is step one. Checking whether procedures and policies are working effectively is an indispensable next step. SAIs set up different kinds of arrangements: At the engagement level several SAIs have arranged that audit products in different stages of the audit require a signature of certain officials before the next stage of the audit can begin. Some SAIs have "case managers" allocated to each audit; performance audit experts that provide support to audit teams during the whole audit. At the organizational level several SAIs have a separate unit checking the quality of systems, procedures and reports. It is also common that SAIs have (a sample of) their audit reports reviewed after publication. This could for instance be done through Peer reviews, where other SAIs review the work, or by scientific expert panels (Performance Auditing Guidelines 2014).

2.1.6.3. Auditor qualifications and proficiency

The audit offices and their individual auditors must possess the required competence. Staff competence is clearly identified in the professional literature as a key element in effective audit activity (IIA, 2006).

Knowledge Requirements this proposed standard prescribes the specific knowledge audit professionals require in addition to what IES 2 prescribes for all professional accountants. This additional knowledge is in three key areas: financial statement audit; financial accounting and reporting; and information technology. The knowledge is to be at an advanced level, which is deeper than that expected of professional accountants.

Professional Skills The proposed standard outlines the application and development of professional skills specific to financial statement audits. While IES 3 prescribes some of these skills for all professional accountants, it is expected that audit professionals should develop and apply them in an audit environment.

Practical Experience The proposed standard prescribes that individuals must gain a period of relevant practical experience before having substantial involvement in a financial statement audit assignment. They can acquire this experience before, during or after qualification as a professional accountant; this practical experience should be gained under the guidance of an auditor in a suitable organization. The experience needs to be of sufficient depth and duration to enable individuals to demonstrate they have the necessary capabilities and competence prescribed in the proposed standard (IFAC, 2005).

2.1.6.4. Audit time (Audit Tenure)

Audit tenure is “the number of periods-years an audit firm, an auditor audits a client or the number of years a company employs the same auditor”. Audit tenure has been dissected into large and short audit periods. Long audit tenure might decrease the independence and professional care. On the other hand, shorter audit tenure reflects that the auditors have less knowledge about the client which may lead to low audit quality. Long audit tenure may increase the knowledge about the client’s internal operations; but, the downside is that the auditor’s independence may get compromised (Feleke, 2017). Thus, the researcher has taken factors of audit tenure as audit time budget for OFAG to imply audit quality.

2.1.6.5. Evidence

Audit Evidence for the auditor to obtain sufficient appropriate audit evidence is a fundamental audit requirement, appropriate for inclusion as a requirement in proposed ISA 200 (Revised and Redrafted). ISA provides the appropriate context for the requirement that the auditor use objectives to consider whether sufficient appropriate audit evidence has been obtained. Accordingly, the requirement for the auditor to obtain sufficient appropriate audit evidence has been moved from extant ISA 500 to proposed ISA 200 (Revised and Redrafted).

The repositioning of this requirement from extant ISA 500 is consistent and appropriate with the scope of proposed ISA 500 (Redrafted), “Considering the Relevance and Reliability of Audit Evidence” 3 as a result of redrafting that ISA in accordance with IAASB’s clarity conventions (IFAC, 2007).

2.1.6.6. Training for auditors

An auditor must have training to ensure competence in auditing skills, related standards and regulations, general structure of quality assurance programs, auditing techniques, and other work specific skills. Competence can be developed through the following methods :(Russell, 2005)

- Orientation on related standards
- Implementation procedures
- Training programs on subjects related to auditing
- On-the –job training

Auditors should maintain their technical competence through continuing education and current relevant auditing experience (Russell, 2005).

2.1.6.7. Motivation of auditors

The theory of audit quality in regard to audit fees (salary, wage, allowance, rewards and benefits for government external auditors) seems to be very obvious. Evidently, fees paid to auditors can affect audit quality in different ways .large fees paid to auditors may allow the auditor to increase the effort, which will increase audit

quality .contrarily, high fees paid to auditors, notably those that are related to non-audit service, make auditors more economically dependent on their clients. High audit fees alone can already lead to an independence issue for the auditors (Jonas, 2013).

2.2. Empirical Review of Audit Quality

There are arguments regarding to the impacts of provision of non-audit service to audit client on auditor's independence and audit quality. To understand these arguments, the researcher explored out the following empirical evidences based on their relevance or importance for this study.

Rohami, (2009) studied on “audit firm tenure and auditor reporting quality: evidence from Malaysia”. They tried to see the relationship between audit firm tenure and the issuance of going concern opinion. Their sample was from distressed companies listed on Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange, KLSE). Their findings show that longer audit tenure has positive significant association with auditor's reporting decision.

Mahdi and Saeidjabarza, (2010) by using secondary data from listed companies on Tehran Stock Exchange investigate the effect of audit quality on accrual reliability. The result of the study shows that the accrual reliability of audited firms with larger auditor size compared to audited firms with smaller size is more and the accrual reliability of audited firms with longer auditor tenure compared to audited firms with shorter tenure is more.

Gelaneh, (2011) studied on Audit Tenure and Audit quality in Ethiopia. By using questionnaires to auditors in Addis Ababa concluded that long audit tenure will increase audit quality and long audit tenure will not reduce auditors' independence.

Tensae, (2017) on his study determinants of external audit quality of Ethiopian audit firms used audit firm variables of independence, audit experience, accountability, audit fee, firm size and regulation. It also examined whether the selected audit determinant factors significantly affect audit quality. To achieve the intended objective the study used quantitative approach. The quantitative data were

collected through close ended questions from a sample 53 of ninety six external audit practitioners found in Ethiopia. The adjusted value of R square (0.653054) indicated that audit quality is around 65.3% dependent on independent variables of independence, experience, accountability, audit fee, firm size and regulation.

Feleke, (2017) examines the perception of auditors on audit quality in Ethiopia. Bayou uses survey as a strategy of inquiry. The survey covers 88 external auditors who have senior auditor and above positions. The response rate is 60%. Results from the analysis indicate that respondent's agree on positive relationship of audit firm size, audit competence, industry specialization and auditor's reputation with audit quality. Tight audit time has a negative relationship with audit quality. Respondents are neutral on the relationship of audit fees, audit tenure and provisions of non-audit services with audit quality.

Solomon, (2016) examined factors affecting quality of external auditing on the case of Ethiopian commercial banks. The correlation between audit quality and audit fee is negative, strong and statistically significant. The negative relationship means that the quality of audit is dependent on the audit fee; the lower the audit fee, the more qualitative the audit work will be. The correlation between audit quality and company size is strong, positive and statistically significant. The positive relationship means that the bigger the firm, the higher the quality of audit is likely to be. This may be unconnected to the fact that larger sized firms (expectedly with wider spectra of stakeholders), can afford to pay auditors better which in turn implies that such auditors are likely to do more qualitative job, partly because of the large audit fee and partly because of the need to protect the interest of the wider stakeholder group in such large firms.

Ejigsew, (2016) studied the impact of provision of non-audit service (NAS) on auditor independency and audit quality. most of the respondent auditors agreed on the influence of higher income from NAS on auditor's independency and audit quality, in the absence of properly implemented safeguarding mechanisms from the firm and client side, and loose regulatory scrutiny. auditors argue that non audit fee

does not have impact on the audit fee, and non-audit fee is usually higher than audit fee this might negatively impact auditor's independence and audit quality.

Suyono, (2012) studied determinants of factors affecting the audit quality in Indonesia. By reviewing respondents of questionnaires distributed to auditors of public accounting firms and concluded that independence experience and accountability simultaneously affect the audit quality. Independence and accountability partially affect the audit quality while experience does not affect audit quality partially. His study shows that accountability has a dominant effect on audit quality.

Habtewold, (2017) Studied Factors Affecting the Quality of Performance Audit on the case of OFAG and used the following factors like Auditors competency, Work place absenteeism, Written Guidance, quality control assurance, evidence, training and motivation, threats of independence, and used the questionnaire to collect data for all population those were 42 performance auditors.

2.3. Conceptual framework

Audit quality has been the focus of empirical and theoretical auditing research for the last years. Even though a plenty of studies investigate the audit quality especially in the western countries, there is a lack of empirical evidence from the developing countries context Very few studies had been conducted in developing countries (Kitata, 2016).

Furthermore, prior studies have documented mixed results on the linkage between audit quality and its proxy. Thus, the research question is open for new and thorough evidence to uncovering new insights.

The researchers need to obtain better and new information to understanding audit quality from the frameworks, regulators, auditors, audited and audit office and other sources. With such information, we can continue the scholarly quest for a better understanding of audit quality (Knechel, 2013).

There are many factors that may affect audit quality. This section will introduce the most popular factors according to the prior literature. According to IAASB (2013) some of these factors such as input factors (independence, competency, training),

and process factors (evidence, motivation, audit time, quality control and assurance).

Therefore, independency, competency, training, evidence, motivation, audit time, and quality control and assurance can be independent variables and audit quality is dependent variable.



Figure 2.1: conceptual frame work (own source)

2.4. Research Hypotheses

While inherently considered that the null hypotheses of (H_0), of the variables are that they have no significant relationship with audit quality, alternative hypotheses (H_1 - H_7) are described as significant relationship as follows:

Table 2.2 Research hypothesis;

Hypothesis
H₀ : There is no significant relationship between motivation in decision making and audit quality
H₁ : There is significant relationship between employees motivation in decision making and audit quality
H₀ : There is no significant relationship between independence and audit quality
H₂ : There is significant relationship between organization independence and audit quality
H₀ : There is no significant relationship between training and audit quality
H₃ : There is significant relationship between training and audit quality
H₀ : There is no significant relationship between auditors qualifications & proficiency(competency) and audit quality
H₄ : There is significant relationship between auditors qualifications & proficiency(competency) and financial management
H₀ : There is no significant relationship between quality control & assurance and audit quality
H₅ : There is significant relationship between quality control & assurance and audit quality
H₀ : There is no significant relationship between evidence in decision making and audit quality
H₆ : There is significant relationship between evidence and audit quality
H₀ : There is no significant relationship between audit time budget in decision making and audit quality
H₇ : There is significant relationship between audit time budget and audit quality

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

Introduction

This chapter covers the procedure that was followed in conducting the study. It outlines the research design, research approach, target population and sampling, data collections instruments and Data collection procedures and data analysis, presentation and interpretation. It describes the procedures followed to gather measure and analyze the necessary data.

3.1. Research Design

The purpose of this study was to investigate the factors affecting audit quality in OFAG. This section explains the research design and methodology that applied to achieve this objective.

In this research the researcher employed a descriptive and inferential statistics type of research design. Mainly because the major purpose of descriptive research is to describe characteristics of objects, people, groups, organizations, or environments. In other words, descriptive research tries to “paint a picture” of a given situation by addressing who, what, when, where, and how questions (Kothari 2004).

3.2. Research Approach

Mixed type approach used for both qualitative and quantitative methods. The research has examined in qualitative and quantitative. For the very clear fact that the focus of the research was focus on understanding and interpretation of the data as well it deals with the effects of variables.

The primary qualitative data obtained from questionnaires was presented in tables and line graphs and was analyzed by using descriptive and inferential statistics. The quantitative data from questionnaires was analyzed using descriptive and inferential analysis.

3.3. Target Population

According to HRM Directorate in OFAG 400 permanent auditors were found in the head office as of April, 2020.

	Directorate	Population Size
1.	Capacity Building Organizations Audit Directorate;	48
2.	Common Services Performance Audit Directorate;	39
3.	Finance and Communication Organizations Audit Directorate;	52
4.	Higher Education Institutions Audit Directorate;	71
5.	Programs and Projects Performance Audit Directorate;	38
6.	Revenue and Customs Organizations Audit Directorate;	47
7.	Social and Development Organizations Audit Directorate;	50
8.	Trade and Administration Organizations Audit Directorate	55
	Total	400

3.4 Sample Design and Size

Regarding sampling technique, the study used; proportionate stratified sampling (because the audit types of performance and financial audits have different directorates or departments), under proportionate stratified sampling units from each main group are included and may be more reliably representative (Kothari, 2004).

In order to capture appropriate sample, in the OFAG the respondent those financial and performance auditors were selected from altered audit directorates with a probability or proportional stratified sampling technique. In this type of sampling, the population is divided into several sub-populations that are individually more homogeneous than the total population (the different sub-populations are called 'strata') and then we select items from each stratum to constitute a sample. Since each stratum is more homogeneous than the total population, we are able to get more precise estimates for each stratum and by estimating more accurately each of the component parts; we get a better estimate of the whole.

Proportional allocation is considered most efficient and an optimal design when the cost of selecting an item is equal for each stratum, there is no difference in within-stratum variances, and the purpose of sampling happens to be to estimate the population value of some characteristic. But in case the purpose happens to be to compare the differences among the strata, then equal sample selection from each stratum would be more efficient even if the strata differ in sizes (Kothari et al, 2004).

Thus, the researcher has employed Yamane's formula to determine the sample size of the target population, and has used to adopt Yamane's, (1967) statistical formula for sample size determination given as:

$$n = \frac{N}{1+N(e^2)}$$

N=population size,

n= sample size

e=Accepted error limit (0.05) on basis of 95 percent of confidence

This formula was used to calculate the sample sizes for the study as follows:

$$n = \frac{400}{1+400(0.05)^2} = \underline{200}$$

$$n = \underline{200}$$

The study was assumed that the margin of error 5% and confidence level or error free of 95%. According to above formula and target population 400 auditors were participated for primary data collection purpose. So that Desired sample size = 200.

	Directorate	strata size (N_i)	(N_i/N)n=n_i	sample of the stratum (n_i)
1.	Capacity Building Organizations Audit Directorate;	48	(48/400)200=24	24
2.	Common Services Performance Audit Directorate;	39	(39/400)200=19.5	19
3.	Finance and Communication Organizations Audit Directorate;	52	(52/400)200=26	26
4.	Higher Education Institutions Audit Directorate;	71	(71/400)200=35.5	36
5.	Programs and Projects Performance Audit Directorate;	38	(38/400)200=19	19
6.	Revenue and Customs Organizations Audit Directorate;	47	(47/400)200=23.5	23
7.	Social and Development Organizations Audit Directorate;	50	(50/400)200=25	25
8.	Trade and Administration Organizations Audit Directorate	55	(55/400)200=27.5	28
	Total	400	200	200

3.5. Source of Data and data Collection Procedures

According to (Kothari et al, 2004), there are two sources of data that can be used to make a research which are primary sources of data and secondary sources of data, this study used both primary and secondary data collection methods. Primary sources of data collected through questionnaire, whereas secondary data will be generated through a review of relevant documents. These two different sources of data, the primary source used as the main empirical data for the analysis, while the secondary source used to describe theories.

Primary data has been gathered from; auditors, senior auditors, audit managers, and audit directorate directors of OFAG included under the research sample through questionnaires. The types of questioners can be open and closed ended. Questionnaire can save time but the response rate may be low. Under the current study, open and closed ended questions are prepared for the respondents. A

research questioner was adopted from (Habtewold, 2016, Ejigsew, 2016), and upgraded, from various studies, from the relevant literature review, objectives of the study, The closed ended questioner was designed based on Likert scale model with 5 choices; strongly agree, agree, neutral, Disagree and strongly disagree (see appendix). The reason why the researcher chose to use a Likert scale is that it is suitable for measuring attitudes or perspective, which is expressed in the purpose of this study. Another reason for using five point Likert scale is that earlier research which the researcher borrow much from for this study, used the same scale (Kothari et al, 2004.)

As it is mentioned before, the instrument tool was both open ended and close-ended questions for the target participants (government external auditors). This is due to the fact that, in the qualitative approach open ended questions are preferable to get further understanding about the phenomenon (Mack, 2005), and close ended questions are suitable for the quantitative approach to measure objective types of response rather than subjective as to factors affecting audit quality. The questioner is prepared in English for the target participants i.e. government external auditors. In order to get a higher response rate, an introduction letter was sent to the respondents with the questionnaire where in briefly described the objective of the study. There were distributed for 200 auditors, but 175 questionnaires were responded.

- **Secondary data** - Document Review has been gathered publications on frameworks of audit quality from OFAG, empirical researches issued so far in this area, from different journal and articles, and different literatures.
- **Data collection and procedure-** The study used questioner to collect data, from auditors, senior auditors, managers and audit directorate directors in Addis Ababa head office of OFAG with the main objective of how audit factors like Auditors independency, competency, quality control and assurance, audit budget time, evidence, training and motivation that affects audit quality, and uses secondary data to review existed regulatory frameworks and safeguarding mechanisms used globally and in Ethiopian

context. The survey encompasses both open and closed ended questionnaires. The reason for the use of questionnaire for this study is that the main purpose of the study has qualitative and quantitative nature. The study targeted 200 auditors out of 400 auditors and the questionnaire were circulated to them.

3.6. Data Analysis and Interpretation

To analyze the data was collected from the primary and secondary sources, the study was used both qualitative and quantitative data analyzing methods. Particularly with the quantitative data was collected via the questionnaire, a descriptive statistical analysis method and SPSS was used to tabulate the data and present it in tables and figures. Statistical tools like frequencies, percentage method, mean and standard deviation was used to analyze data. Pearson correlation and linear regression to analyze the relationships among dependent and independent variables were used to explain and to determine the significant differences with respect to audit quality. Moreover, to analyze the data obtained through open ended question qualitative method of data analysis was employed. The summarized data was analyzed to arrive at a meaningful conclusion and to come up with valuable recommendations. The research was used SPSS (Statistically Package for Social Science) software; version 24 to analyze the quantitative data was collected from the questionnaire.

3.7. Model specification

(Hair,2005) argued that for analyzing the relationship between one dependent variable and several independent variables multiple regressions analysis can be applied. Hence, multiple regression analysis is an appropriate way to check the relationships between independent variables and dependent variable in this study. The literature reviewed in the previous chapter identified factors that affecting audit quality and a model that would help to investigate the relationship of the factors and audit quality.

The linear multiple regression line based on previous model designed by (Habtewold, 2017 and Tensae, 2017) is modified using the variables and is stated as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + e$$

Where;

Y = Audit quality

a = Value of if $X_1 + X_2 + X_3 + X_4 + X_5 + X_6 + X_7 = 0$

$b_1, b_2, b_3, b_4, b_5, b_6, b_7$ = coefficients of regression

X1 = motivation

X2 = independence

X3 = training

X4 = competency

X5 = control

X6 = evidence

X7 = time

e = residual value

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATIONS

Introduction

This chapter contains findings on the study that factors affecting financial and performance audit quality in OFAG. The findings have been discussed under thematic areas and subsections corresponding to the variables and objectives of the study. The thematic areas include: study demographic information, motivation, independence, training, auditors qualification & proficiency (competency) quality control and assurance, evidence and audit time budget factors of audit quality in OFAG.

4.1 Test of the Soundness of the Measurement Used

As (Kothari et al, 2004) stated, a sound measurement must meet the test of validity and reliability. Both of them should use in evaluating a measurement to in this study.

4.1.1. Validity and Reliability

4.1.1.1. Validity

“Validity refers to the extent to which a test measures what we actually wish to measure” (Kothari et al, 2004). It involves the degree to which we are measuring what we are supposed to, more simply, the accuracy of your measurement. It is believed that validity is more important than reliability because if an instrument does not accurately measure what it is supposed to, there is no reason to use it even if it measures consistently. To check the validity the initial questionnaire has been given to a group of referees to judge its validity according to its content, clearness of its meaning, appropriateness to avoid any misunderstanding and to assure its linkage with the study objectives.

First, the researcher examined that the underling theory of the study has a strong conceptual basis and be based on well-validated constructs.

- ✓ Consulting subject matter experts in the area like research advisor

- ✓ Feedback collected from the selected friends by the sample of questionnaire distributed to check the validity.
- ✓ The instruments used are almost standardized as adopted from commonly used scales globally.

4.1.1.2. Reliability

Reliability has to do with the accuracy and precision of a measurement procedure (Kothari et al, 2004). Reliability estimates the Consistency of the measurement or more simply, the degree to which an instrument measures the way each times it is used under the same conditions with the same subjects (John, 2007). Reliability is essentially about consistency. That is if we measure something many times and the result is always the same, then we can say that our measurement is reliable. In other words, when the outcome of the measuring process is reproducible, the measuring instrument is reliable-this does not mean that it is valid, it simply means that the measurement instrument does not produce erratic and unpredictable result.

To maximize the reliability of the questionnaire the researcher conducted an initial survey of 18 OFAG auditors. To measure the reliability of the constructs the researcher conducts internal consistency reliability using Cronbach alpha. Internal consistency reliability is a measure of consistency between different items of the same construct. The Cronbach alpha coefficient of the factors is displayed in the following table. The result shows that there is high internal consistency among the variables, so the dimensions are sufficient to measure the constructs.

Table 4.1 Results of Reliability Analysis

Factors	Cronbach's Alpha	No of Items
Motivation	.823	5
Independence	.844	9
Training	.836	6
Auditors qualifications and proficiency (competency)	.715	8
Quality control and assurance	.757	5
Evidence	.758	4
Audit time budget	.846	4
Audit quality	.873	12
Total		53

Source: SPSS Output, 2020

The researcher calculated Cronbach's alpha values for the items in each construct. The coefficients were evaluated using the guidelines suggested by George and Mallery, where values 0.9 or higher indicate excellent reliability, values ranging from 0.8 to .89 indicate good reliability, values ranging from 0.7 to .79 indicate acceptable reliability, values ranging from 0.6 to .69 indicate questionable reliability, values ranging from 0.5 to .59 indicate poor reliability, and values less than 0.5 indicate unacceptable reliability.

As indicated above in Table 3.2, the value for Cronbach's Alpha (α) was 0.771 for all items which exceed 0.70 the accepted value for Cronbach's Alpha George and Mallery (2010). In short nut, the responses generated for all of the variables used in this research was reliable enough for data analysis. This value was acceptable based on the rule of (George and Mallery, 2010).

4.2. Ethical Consideration

The study considered some ethical issues. The respondent has the right to respond or not, the respondent has the right to participate or not, the study was informing respondents the purpose of the questioner and the study considers the confidentiality of the response by not asking to state name. While conducting the study, emerging ethical issues should be considered and will be given attention.

To increase the ethical standard of the questioners and the right of the respondents, the following statements would be included on the questioners;

- Introduction, rationale for study and specific aim(s)
- Outcomes to be measured
- Considerations of statistical power in relation to enrollment

Study procedures for protecting against or minimizing potential risks.

Questionnaire Response Rate

The study sampled 200 auditors of OFAG from the target population of 400. From the 200 questionnaires issued out to respondents 175 questionnaires were returned representing 87.5% response rate suitable for purpose of the study. Return rate of 50 % is considered sufficient, 60% is good, 70% and above very good Mugenda (2003). The researcher made calls and visits to request the respondents and return the questionnaires.

4.3. Demographic characteristics of the respondents

The demographic characteristics of the respondents were investigated in the first section of the questionnaire. The demographic captured gender of the respondents, age, years of experience, level of education, background of study, types of audit respondents work, current position of the respondents and level of experience.

Table 4.2:- Demographic characteristics of the respondents

Variables		Frequency of responses	
		Frequency	Percent
Sex	Male	142	81.1%
	Female	33	18.9%
	Total	175	100%
Age Range	20-25	15	8.6%
	26-35	126	72%
	36-45	23	13.1%
	46-55	9	5.1%
	> 56	2	1.1%
	Total	175	100%
Level of Education	Diploma	0	0%
	BA/BSC	156	90.9%
	MA/MSC	19	10.9%
	PHD	0	0%
	ACCA	0	0%
	Total	175	100%
Background of Education	Accounting& finance	116	66.3%
	Management	21	12%
	Economics	26	14.9%
	Other Social Science (history, geography political science)	7	4%
	Statistics	5	2.9%
	Total	175	100%

Sources; Survey data (2020)

From the table 4.1, above, we can see that the composition of the respondents by sex, 81.1 percent were male while 18.9 percent were female. This indicates that most of the respondents are males.

The age distribution of the respondents also shows that 126 (72%) were between the ages of 26-35 years, 23(13.1%) were between 36-45 years, 15(8.6%) were between 20-25 years, 9(5.1%) were between the ages of 46-44 years and 2(1.1%) above 56 years. This study found that the majority of auditors comprising 72 % were between the ages of 26-35 years.

The table also indicates the educational status of participants 90.9% of the respondents are BA/BSC Degree holders, MA/MSC Degree holders are 10.9% and no one with PhD degree and ACCA holder. This implies that the majority of the respondents were degree holders.

Table 4.1: shows 66.3% of the respondents or more than half of the respondent were studied accounting and finance followed by 14.9% and 12% of the respondents were also studied Economics and Managements respectively. The rest only 6% of the respondents studied statistics and different social discipline. This implies that there is a lack of multi-discipline or broad range of skills, expertise and different discipline which are crucial to the formation and maintenance of conducting performance audit activity in OFAG.

4.3.1. Types of Audit the Respondents work

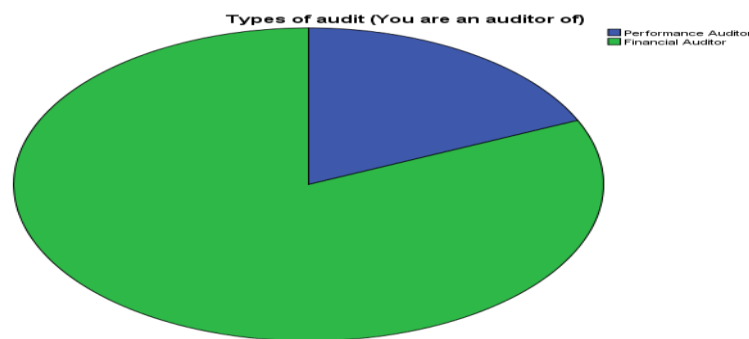


Figure 4.1: Types of audit the respondents work

Sources; Survey data (2020)

As it is presented in figure 4.1, in the analysis of types of audit the respondents work, we can see that a majority 81.7 % of the auditors are financial auditors while

only 18.3% of the auditors are performance auditors. This implies that in OFAG the performance audit coverage is very low.

4.3.2. Current position of the respondents

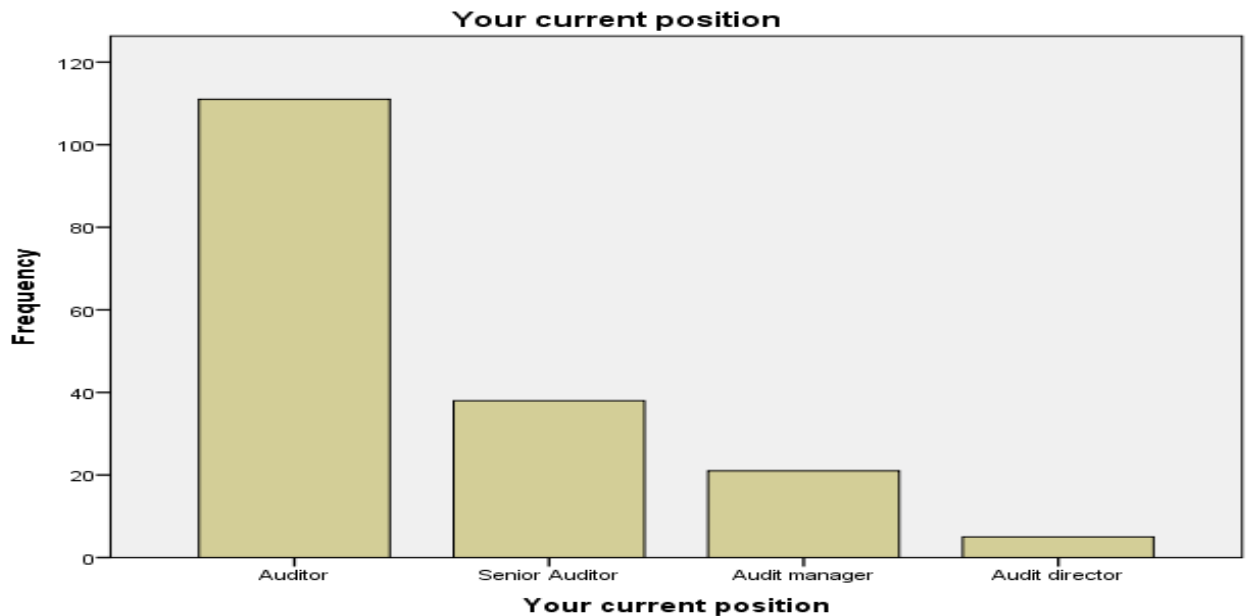


Figure 4.2: Current Job Position of the Respondents

Sources; Survey data (2020)

As seen on the above figure 4.2, 2.9% of the respondents were Audit Director, which were five (5) in numbers, Again 21.7% were from Audit Manager, which were twenty one (21) in numbers, 21.7 % were Senior Auditor which were thirty eight (38) in numbers and 63.4% were Auditor which was one-handed eleven (111) in numbers. This shows that, more than 63% of the respondents are auditors currently conducting financial and performance audits.

4.3.3. Respondents work experience on current position

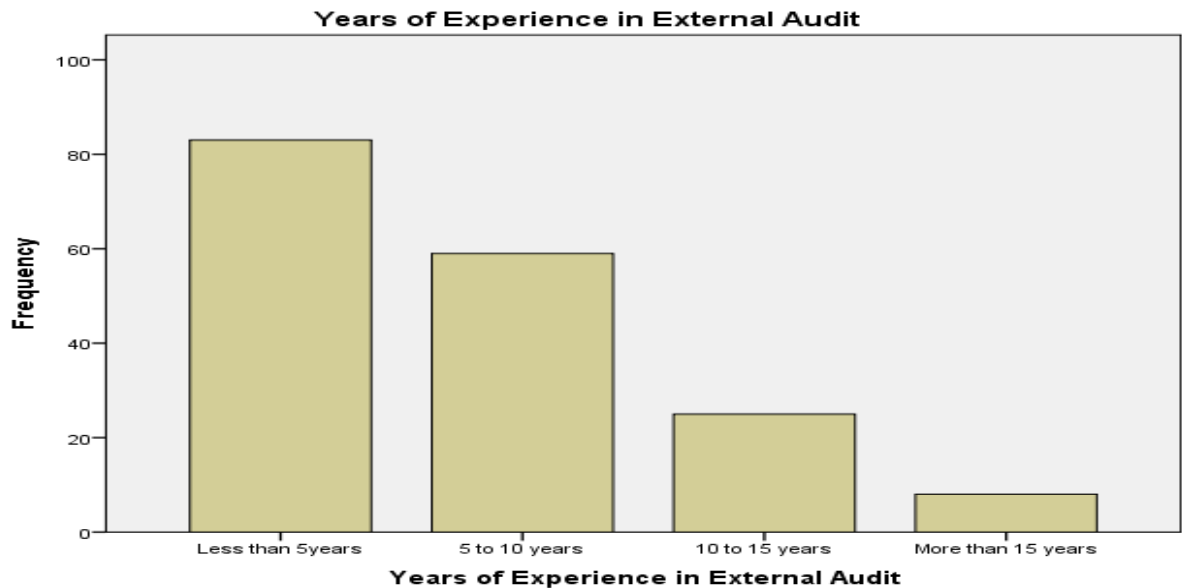


Figure 4.3.: Respondents Work Experience on current Position

Sources; Survey data (2020)

As indicated in the figure 4.3: above with respect to the work experience on current Position, 47.4% of the respondents were below 5 years of experience, 33.7 % of the respondent were experienced 5-10 years, 14.3% of the respondents were experienced 10-15 years and 4.6% of the respondents were experienced more than 15 years. This shows that, more than 48% of the respondents have less than 5 years of experience working in the current Position. So that highly experienced auditors or staff would not be willing to stay in the office due to various reasons. On the other hand, most of auditors are not well experienced on current Position which may leads less efficient in conducting an audit.

4.4. Analysis of Selected Motivation measures and its Effects on Audit quality

In order to measure how motivations affect audit quality in OFAG, respondents were provided with five questions and their responses are summarized in table 4.2 below.

The first operation was intended to measure whether In OFAG's past experience, there is an incentive given to a team (auditors) who have better performance. In this

regard, as indicated on the below table, mean score of 4.12 respondents strongly disagreed on the issue. This implies that in OFAG there is no incentive practice for auditors who have better performance.

Table 4.3: Descriptive Analysis on Motivation Measures

Variables	Mean	Std. Deviation
In OFAG's past experience, there is an incentive given to a team (auditors) who have better performance.	4.12	.95
OFAG give Recognition to the individuals who produce better quality audit report.	3.83	1.00
OFAG's performance evaluation system can evaluate the performance of auditors appropriately	3.54	1.03
Auditor salary, allowance & benefits should be determined based the experiences of audit staff.	2.56	1.21
Auditors salary, allowance & benefits should be based the evaluation and workload of the staffs.	2.27	1.11
Average	3.26	1.06

Sources; Own Survey data (2020)

On the above table 4.3, respondents were asked whether OFAG give Recognition to the individuals who produce better quality audit report and the majority the mean score (mean 3.83) of them disagreed by agreement that the office give recognition to the individuals who produce better quality audit report. This indicates that in OFAG there is no recognition to the individuals who produce better quality audit report.

On item three, most respondents disagreed to the office performance evaluation system can evaluate the performance of auditors appropriately (mean 3.54). In relation to competition to get higher audit salary, allowance, & benefits will affect audit quality.

Moreover, most respondents agreed to the auditor salary, allowance & benefits determined based on the experiences, evaluation and workload of the staffs in OFAG (mean 2.56). This indicates that in OFAG salary, allowance & benefits determined based on the experiences.

On the last measure of motivation measure, most respondents agreed to the auditor salary, allowance & benefits determined based the evaluation and workload of the staffs in OFAG and (mean 2.27). This indicates that in OFAG salary, allowance & benefits determined based the evaluation and workload of the audit staff.

The results showed that it must be emphasized that all the items reported under the motivation had mean scores between 4.12 and 2.27. This means that the majority of the respondents were of the view that the motivation component of the audit quality is not satisfactory. The overall mean of the motivation can be approximated to 3.26 which indicate a motivating auditors' through job satisfaction has proven ineffective but rooms for improvement.

4.5. Analysis of Selected Independence Measures and its Effects on Audit quality

According to INTOSAI and The Lima Declaration of Guidelines on Auditing Precepts SAIs should be independent of the audited entity and protected against outside influence to work efficiently. In addition, the Declaration of Mexico on SAI Independence states that for the SAI to work efficiently it is important that it has the freedom to decide what should be audited and when, without undue influence from the auditee, It is also important that the SAI has financial and administrative independence and availability of adequate material, human and financial resources, a wide-ranging mandate, unlimited access to all information needed to carry out its activity, the right and obligation to report on its work as well as efficient follow-up procedures on SAI recommendations. (INTOSAI, 2013)

As the second component of factor that affect audit quality i.e. independence, respondents in the research reacted on the below listed 9 questions. Their proportionate summary and description is shown here under in Table 4.4 and the subsequent paragraphs.

Table 4.4: Descriptive Analysis on Independence Measures

Variables	Mean	Std. Deviation
OFAG is not independent from audited entity.	3.93	1.09
OFAG doesn't give attention to Auditors independency.	3.48	.95
Conflict of interest is present in the work of auditors.	3.42	1.09
Performance Auditor has free and unrestricted access to all required information and operations, in accomplish its task	3.23	1.14
Performance Auditors are free from control or undue influences in the selection of audit areas, activities, personal relationships and managerial policies to be examined.	3.07	1.14
OFAG is not independent from Legislature.	2.90	1.28
OFAG has the functional and organizational independence required to accomplish their tasks.	2.69	.93
Auditor has freedom to develop his/her own audit program	2.43	1.13
OFAG selects the subjects for audit without approval of any external body (executive or legislature).	2.36	1.00
Total	3.06	1.08

Sources; Own Survey data (2020)

For the query intended to examine whether OFAG is not independent from audited entity, the majority (mean 3.93) respondents disagreed. Therefore, it implies that OFAG is independent from audited entity. Also, the respondents were asked if OFAG doesn't give attention to Auditors independency the majority (mean 3.48) respondents stood neutral.

On item three, According to most respondents with a mean value of 3.42 believe that the conflict of interest was not present in the work of auditors.

Participants were asked if performance Auditor has free and unrestricted access to all required information and operations, in accomplish its task, the mean value of

3.23 shows most respondents were disagreed on the subject. This indicates that the performance Auditors in OFAG had no free and unrestricted access to all required information and operations, in accomplish their task.

Respondents agreed with mean result 2.90 about OFAG is not independent from Legislature. Therefore, it implies that the legislature (parliament) influence the independence of OFAG.

Respondents were to indicate whether OFAG has the functional and organizational independence required to accomplish their tasks the mean score (mean 2.68) of the respondents stood neutral. Furthermore, the mean score (mean 2.43) of the respondents agreed that Auditors have freedom to develop their own audit program in OFAG.

At the last enquiry of the independence portion, regarding the question of OFAG selects the subjects for audit without approval of any external body (executive or legislature), the mean score (mean 2.35) of respondents agreed. This implies that auditors in OFAG select the subjects for audit without approval of any external body (executive or legislature).

The office has to make some improvements on independence. The independence had mean scores between 3.93 and 2.36. The overall independence can be approximated to a mean of 3.06 which show there was lack of independence in OFAG.

According to Ethiopian performance audit manual (2005), Performance auditors should be independence from legislature, executive and auditee to perform its work, Independence implies impartiality and freedom from or rejection of improper influences in conducting the audit work and in reaching judgments and conclusions.

4.6. Analysis of Selected Training Measures and its Effects on Audit quality

In the assessment of the training, as portrayed below in Table 4.4 respondents were asked to rate their opinion on 6 measures.

Table 4.5: Descriptive Analysis on Training Measures

Variables	Mean	Std. Deviation
Auditors acquire knowledge and skill in variety of areas through training to conduct Audit.	3.82	1.16
The outcome of the audit training was evaluated.	3.72	1.27
Your office gives the opportunity of getting training helping for skills develop & to update your knowledge.	3.36	1.18
Training schedules and need assessment should be prepared by the concerned trainers.	3.26	1.11
OFAG has policies for training of performance and/or financial audit staff.	2.95	1.06
OFAG applied or change in to practice policies for training of audit staff.	2.94	.96
Total	3.34	1.12

Sources; Own Survey data (2020)

As depicted in table 4.5, above majority (mean 3.82) of the respondents confirmed that in OFAG auditors were not acquire knowledge and skill in variety of areas through training to conduct an audit. In terms of the outcome of the audit training was evaluated, second majority (mean 3.72) of the respondents strongly disagreed that in OFAG the outcome of the audit training was evaluated.

On item three, most (mean 3.36) of the respondents believe that auditors must have sufficient training to review appropriate audit procedures. Also participants were asked to confirm if the office gives the opportunity of getting training helping for skills develop & to update.

The study observed that respondents, (mean 3.25) , (mean 2.95) and again (mean 2.95) replied neutral that Training schedules and need assessment should be prepared by the concerned trainers , OFAG applied or change in to practice policies

for training of audit staff and OFAG has policies for training of performance and/or financial audit staff respectively.

The training had mean scores between 3.82 and 2.94. The Overall mean of the training factor for the six questions can be estimated to 3.34 which is the respondent are in agreement about their adequate training in their office.

4.7. Analysis of Selected Auditors qualification & proficiency Measures and its Effects on Audit quality

Eight items were included on the survey questionnaire to measure auditors' qualifications & proficiency (competency).

As depicted on the below table, the majority (mean 3.39) of respondents replied that auditors had no knowledge or aware on various analysis tools and techniques. Again, on the below table the respondents asked if the external consultants and assistance are assigned to help performance &/or financial auditors, (mean 2.84) respondents stood neutral.

Table 4.6: Descriptive Analysis on Auditors qualification& proficiency Measures

Variables	Mean	Std. Deviation
Auditors have knowledge or aware on various analysis tools and techniques	3.39	.90
External consultants and assistance are assigned to help performance &/or financial auditors.	2.84	.60
Team leaders and supervisors assigned to conduct audits have enough practical experience.	2.54	.88
There is not a complete competency matrix in each group	2.43	1.16
Auditors are not assigned based on Auditors' competency /experience/ ability.	2.41	1.13
Performance and /or financial auditors have the experience to deal with challenging or debatable issues.	2.37	.82
Audit staff members have appropriate qualifications and experience for the position they occupy.	2.30	.90
Experienced auditors have the ability to generate findings and their causes	1.82	.61
Total	2.51	0.88

Sources; Own Survey data (2020)

As depicted on the above table, the value of the mean 2.54 indicates that most employees agreed that team leaders and supervisors assigned to conduct audits have enough practical experience.

Question was forwarded to respondents to check if there was not a complete competency matrix in each group in OFAG and the mean value of 2.43, agreed on the issue. This implies that, in OFAG There was not a complete competency matrix in each team. Also respondents were asked whether; auditors are not assigned based on Auditors' competency /experience/ ability. It was indicated by (mean 2.41) of

the respondents disagreed auditors are not assigned based on Auditors' competency /experience/ ability in OFAG. This implies that in OFAG auditors were not assigned based on competency matrix.

The findings in Table 4.6 revealed that respondents agree that the performance and /or financial auditors have the experience to deal with challenging or debatable issues (Mean 2.37).

Moreover, the respondents were asked whether audit staff members have appropriate qualifications and experience for the position they occupy, mean score (mean 2.30) of the respondents agreed that audit staff members have appropriate qualifications and experience for the position they occupy in OFAG.

They were also asked whether experienced auditors have the ability to generate findings and their causes (mean 1.82) of the respondents believe that experienced auditors have the ability to generate findings and their causes respectively.

The auditor's qualification& proficiency (Competency) had mean scores between 3.39 and 1.81. The overall auditor's qualification& proficiency (Competency) of OFAG can said that low competency through mean value of 2.51.

Auditors must have the formal education (knowledge) relevant to audit, professional skills (and be able to apply the professional values, ethics and attitudes to different contexts and organizations. Based on these, auditor competence is determined by considering a set of relevant attributes such as knowledge, skill and attitudes\ the quality of performance audit is directly related to the people assigned to the audit (Ferdousi, 2012).

4.8. Analysis of Selected Quality control & Assurance and its Effects on Audit quality

With regard to the quality control & assurance measures, respondents were provided with 5 queries on review of measures. The first enquiry was made to assess whether the quality Assurance directorate in the OFAG does actively involve insuring quality of performance and/or financial Audit, respondents with the majority mean value of 3.54 replied that the quality Assurance directorate in the

OFAG does not actively involve insuring quality of performance and/or financial Audit.

Table 4.7: Descriptive Analysis on Quality control & assurance Measures

Variables	Mean	Std. Deviation
The quality Assurance directorate in the OFAG does actively involve insuring quality of performance and/or financial Audit.	3.54	.89
In OFAG there is experience sharing mechanism with other related entities to upgrade Audit quality.	3.43	.98
The quality of an Audit produced by OFAG is in question by PAC/public accountancy committee (legislative).	3.13	.82
The quality of performance & financial Audit produced by OFAG is in question by the Auditee	3.10	.73
Those auditors/experts who are in the quality assurance directorate have enough knowledge/skill /experience/ to examine audit quality.	2.93	.78
Total	3.23	0.84

Sources; Own Survey data (2020)

On item two, According to most respondents with a mean value of 3.43 do not agree on in OFAG there is experience sharing mechanism with other related entities to upgrade Audit quality.

Participants were asked if the quality of an Audit produced by OFAG is in question by PAC/public accountancy committee (legislative) and the quality of performance & financial Audit produced by OFAG is in question by the Auditee, the mean value of 3.13 and 3.10 shows respondents were neither agreed nor disagreed on the subject.

On the last measure of quality control and assurance measure, the respondents were asked whether those auditors/experts who are in the quality assurance directorate have enough knowledge/skill /experience/ to examine audit quality, mean score (mean 2.93) of the respondents stood neutral.

The quality control & assurance had mean scores between 3.54 and 2.93. An estimated overall mean of quality control & assurance components indicates that there is room for improvement for quality control and assurance activity in OFAG as shown mean value of 3.23.

4.9. Analysis of Selected Evidence Measures and its Effects on Audit quality

In this category, selected evidence measures are assessed. At the start, respondents were asked to provide their opinion, if OFAG influence those aduitees are asked by law if they are not available the evidence properly; (mean 3.69) disagreed with the statement.

Table 4.8: Descriptive Analysis on Evidence

Variables	Mean	Std. Deviation
OFAG influence those aduitees are asked by law if they are not available the evidence properly	3.69	.95
Samples selected and sample size taken for audit does represent the total population.	3.32	1.12
Auditees give appropriate and sufficient genuine information when the audit team interviews /asked them.	3.22	1.04
Auditees are aware of about the usefulness of performance &/or financial audit.	3.02	.78
Total	3.31	0.97

Sources; Own Survey data (2020)

Respondents were asked if samples selected and sample size taken for audit does represent the total population and (mean 3.32) disagreed that samples selected and sample size taken for audit does represent the total population.

As depicted in table 4.8, above majority (mean 3.22) of the respondents confirmed that Auditees did not give appropriate and sufficient genuine information when the audit team interviews /asked them.

Question was forwarded to respondents to check if Auditees are aware of about the usefulness of performance &/or financial audit and the amount and reliability of evidence gathered from the auditee does help the auditor to reach a conclusion , the mean value of 3.02 stood neutral.

The office has to make some improvements on evidence. The evidence had mean scores between 3.69 and 3.02. The overall Evidence can be approximated to a mean of 3.3 which show there was in OFAG auditors gather not much appropriate and sufficient evidence.

4.10. Analysis of Selected Audit time budget Measures and its Effects on Audit quality

In this category, expected audit quality challenges are assessed. At the start, respondents were asked to provide their opinion, if Audit directorates should have enough budgets to carry their works in field trips (mean 3.44) disagreed with the statement.

Table 4.9: Descriptive Analysis on Audit time budget Measures

Variables	Mean	Std. Deviation
Audit directorates should have enough budgets to carry their works in field trips.	3.44	1.07
During audit time pressure auditors using more efficient audit techniques.	3.26	.99
Tight audit time is associated with questionable audit practices	2.46	.83
If audit time is too low auditors may omit parts of audit program	2.12	.66
Total	2.84	0.89

Sources; Own Survey data (2020)

Respondents were asked during audit time pressure auditors using more efficient audit techniques and (mean 3.26) disagreed that during audit time pressure auditors using more efficient audit techniques.

On the above table respondents were asked whether tight audit time is associated with questionable audit practices OFAG give Recognition to the individuals who produce better quality audit report and the mean score (mean 2.46) of them believe that tight audit time is associated with questionable audit practices.

Respondents were asked if audit time is too low auditors may omit parts of audit program and, the respondents (mean 2.12) agreed that when audit time is too low auditors may omit parts of audit program.

The results showed that it must be emphasized that all the items reported under the audit time budget had mean scores between 3.44 and 2.12. This means that the majority of the respondents were of the view that the audit budget time component of the audit quality is not adequate. The overall mean of the motivation can be approximated to 2.84 which indicate there is inadequate audit time budget in OFAG.

4.11. Analysis of Selected Audit Quality Measures and its effect on Audit Quality

In this category, selected Audit Quality measures and its effects on Audit Quality are assessed. At the start, as depicted on the below table, majority (mean 3.62) of the respondents agreed that in OFAG there was no skill gap problem between auditors to conduct an audit. But on item two, respondents were asked to show their reflection whether auditors had knowledge or aware on various analysis tools and techniques.

The respondents asked if auditors must have sufficient training to review appropriate audit procedures second majority mean, (Mean 3.36) respondents disagreed that OFAG gives the opportunity of getting training helping for skills develop & to update auditors knowledge.

Table 4.10: Descriptive Analysis on Audit Quality Measures

Variables	Mean	Std. Deviation
There is no skill gap problem between auditors to conduct an audit.	3.62	.97
Auditors must have sufficient training to review appropriate audit procedures.	3.36	.85
The major considerable issue in performance and/or financial audit for OFAG is quality of the report than number of the report produced	3.39	1.09
Independence in OFAG contributes to the accuracy of the auditors' work and the ability to rely on reported results.	3.04	1.28
The amount and reliability of evidence gathered from the auditee does help the auditor to reach a conclusion.	2.76	.81
Auditors are free from control or undue influence in the statement of facts revealed by the examination or in the expression of recommendations or opinion as a result of the examination.	2.74	.85
Competition to get higher audit salary, allowance, & benefits will affect audit quality.	2.69	.93
There is a standard in OFAG to measure the Quality of performance &/or financial Audit.	2.35	.76
Higher audit budget associated with higher audit quality.	2.24	.91
Higher auditors' salary, allowance and benefits are associated with higher audit quality	2.27	1.09
Tight audit time impairs/poor audit quality.	2.11	.93
Auditor's knowledge positively changes as experience increases.	1.94	.56
Total	2.71	0.91

Sources; Own Survey data (2020)

As result of the study verified in table 4.10, above, the mean score value of 3.39 of the respondents replied that the major considerable issue in performance and/or financial audit for OFAG is number of the report produced than quality of the report. This indicates that the office did not give emphases for audit quality.

As shown on the above table in item number 4 the mean score (mean 3.04) of the respondents disagreed that independence in OFAG contributes to the accuracy of the auditors' work and the ability to rely on reported results.

Question was forwarded to respondents to check if the amount and reliability of evidence gathered from the auditee does help the auditor to reach a conclusion, the mean value of 3.02 and 2.76, stood neutral.

The study inquired from the respondents whether auditors are free from control or undue influence in the statement of facts revealed by the examination or in the expression of recommendations or opinion as a result of the examination. It was observed that, (mean 2.74) of the respondents neither agreed nor disagreed that auditors are free from control or undue influence in the statement of facts revealed by the examination or in the expression of recommendations or opinion as a result of the examination.

Most of the respondents (mean 2.69) agreed that competition to get higher audit salary, allowance, & benefits will affect audit quality. This infers that competition to get higher audit salary, allowance, & benefits affects audit quality in OFAG.

Participants were asked if there is a standard in OFAG to measure the Quality of performance &/or financial Audit (Mean 2.35) agreed that there is a standard in OFAG to measure the Quality of performance &/or financial Audit.

On items nine, most respondents believe that higher audit budget associated with higher audit quality (mean 2.24).

Moreover, respondents asked whether higher auditors' salary, allowance and benefits are associated with higher audit quality (Mean 2.27) agreed that higher auditors' salary, allowance and benefits are associated with higher audit quality.

These figures indicate that higher auditors' salary and remunerations are associated with higher audit quality in OFAG.

Respondents were asked if tight audit time impairs/poor audit quality, the respondents (mean 2.11) agreed that tight audit time impairs/poor audit quality.

On the last measure of Audit Quality, that means auditor's knowledge positively changes as experience increases and experienced auditors have the ability to generate findings and their causes (mean 1.94) of the respondents believe that auditor's knowledge positively changes as experience increases.

4.12. Diagnostics Test

4.12.1. Normality Test

Figure 4.4 shows the frequency distribution of the standardized residuals compared to a normal distribution. As we can see, although there are some residuals (e.g., those occurring around 0) that are relatively far away from the curve, many of the residuals are fairly close. Moreover, the histogram is bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed. Thus, no violations of the assumption normally distributed error term.

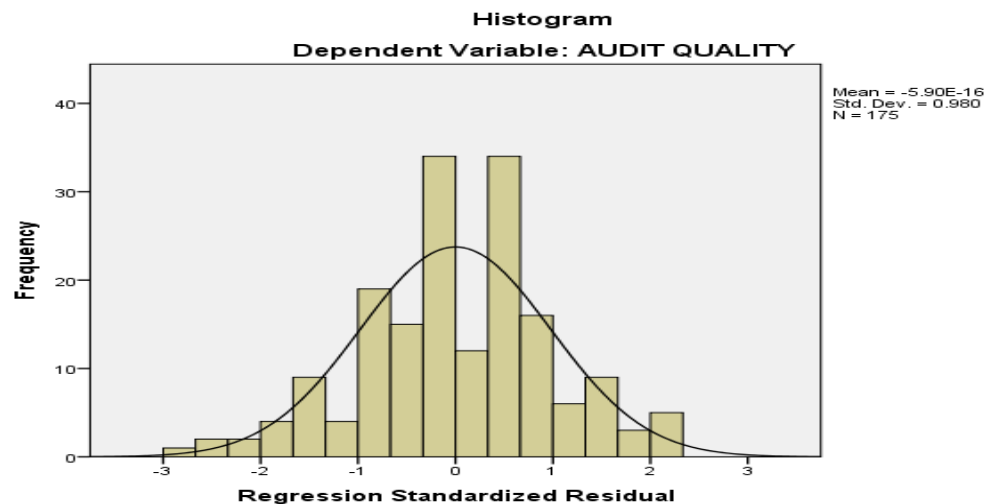


Figure 4.4. Normality Test

Source: SPSS Output, 2020

4.12.2. Linearity Test

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables. To determine whether the relationship between the dependent variable: audit quality and explanatory variables: motivation, independence, training, quality control and assurance, evidence, proficiency and qualification(competency),audit time budget is linear; plots of the regression residuals through SPSS software had been used.

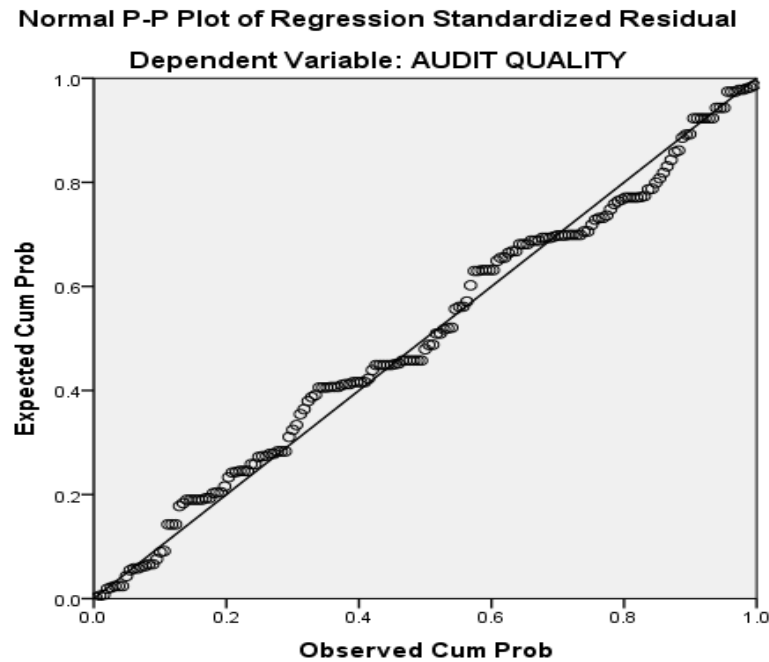


Figure: 4.5. Linearity Test

Source: SPSS Output, 2020

4.12.3. Multicollinearity Testing

The result of the test for existence multicollinearity between independent variable are presented in the correlation analysis using only independent variables in the below table:

Table 4.11. Correlation Matrix (Only Independent Variables)

Collinearity Diagnostics^a

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions							
				(Constant)	Motivation	Independence	Training	Qualification	Control	Evidence	Time
1	1	7.861	1.000	.00	.00	.00	.00	.00	.00	.00	.00
	2	.054	12.079	.03	.06	.02	.00	.01	.06	.01	.00
	3	.032	15.725	.01	.00	.01	.00	.05	.00	.64	.00
	4	.026	17.387	.00	.09	.00	.00	.11	.29	.04	.01
	5	.011	26.753	.12	.14	.00	.09	.09	.10	.13	.19
	6	.011	26.978	.18	.05	.01	.01	.17	.31	.05	.23
	7	.004	47.389	.65	.35	.08	.26	.34	.05	.00	.50
	8	.002	58.631	.00	.32	.88	.65	.24	.19	.14	.06

a. Dependent Variable: AUDIT QUALITY

Source: SPSS Output, 2020

As noted by (Gujarati, 2004), a serious problem for multicollinearity is occurred if the correlation is about 0.8 or larger. I.e. if pair-wise or zero-order correlation coefficient between two regresses is out of the recommended range of multicollinearity which is -0.8 or 0.8. In the above correlation matrix there is no pair-wise relation that exceeds 0.8 which suggests for not rejecting the null hypothesis (H0) which states that there is no perfect pair-wise relation among regresses.

The results in the above correlation matrix table shows that the highest correlation of 0.64 which is between training and evidence. Since there is no correlation above 0.8 in this study according to Cooper and Schendlar (2009), it can be concluded in this study that there is no problem of multicollinearity, thus enhanced the reliability for regression analysis. Therefore, it can be concluded that in this study that there is no problem of multicollinearity or the results showed that the problem of multicollinearity did not exist between variables. Hence all the variables were retained for use in the estimations.

4.13. Analysis of Inferential Statistics Results

One of the major objectives of the study is to assess factors affecting the quality of financial and performance audits. For this purpose, inferential statistics of correlation and regression analysis have been used and the results are presented in the below sections.

4.13.1 Correlation Analysis

Pearson correlation coefficients reveal magnitude and direction of relationships (either positive or negative) and the intensity of the relationship (–1.0 to +1.0). Correlations are perhaps the most basic and most useful measure of association between two or more variables (Marczyk, Dematteo & Festinger, 2005).

As per Marczyk et al (2005) correlations of .01 to .30 are considered small, correlations of .30 to .70 are considered moderate, correlations of .70 to .90 are considered large, and correlations of .90 to 1.00 are considered very large. Accordingly, the below Pearson correlation coefficients shows that the seven factors measuring audit quality were all positively related with audit quality (motivation , independence, training, auditors qualification & proficiency (competency), quality control & assurance, evidence, and audit time budget) within the range of 0.246 to 0.934, all were significant at $p < 0.01$ level. All the independent variables that means (motivation , independence, training, auditors qualification & proficiency (competency), quality control & assurance, evidence, and audit time budget, show a moderate level of positive relation with the dependent variable (audit quality).

Table 4.12: Correlation Analysis

Correlations								
Pearson Correlations	Motivation (M)	Independence (I)	Training (T)	Competency (C)	Quality & Control Assurance (QC)	Evidence (E)	Audit time Budget (TB)	Audit Quality (AQ)
M	1							
I	.840**	1						
T	.760**	.886**	1					
C	.289**	.615**	.539**	1				
QC	.309**	.201**	.358**	0.70**	1			
E	.439**	.431**	.598**	.258**	.264**	1		
TB	.457**	.615**	.745**	.429**	.207**	.526**	1	
AQ	.815**	.934**	.850**	.522**	.246**	.313**	.628**	1

Source: SPSS Output, 2020

4.13.2. Regression Analysis

In order to see contribution each components of factors affecting audit quality, standard multiple regression analysis was employed. The regression model presents how much of the variance in audit quality is explained by the selected factors affect audit quality: motivation, independence, training, and auditor’s qualification & proficiency (competency), quality control & assurance, evidence, and audit time budget.

Table 4.13: Regression result of the coefficients (Model summary table and ANOVA)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F Change	df1	df2	Sig. F Change
1	.954a	.911	.907	2.20528	243.806	7	167	.000

a. Predictors: (Constant), motivation, independence, training, auditor’s qualification & proficiency (competency), quality control & assurance, evidence, and audit time budget

R-squared statistics and the adjusted-R squared statistics of the model was 91.1% and 90.7% respectively. The result of this estimation of adjusted-R squared indicates that the changes in the independent variables explain 90.7% of the changes in the dependent variable. This means that motivation, independence, training, auditors’ qualification & proficiency (competency), quality control & assurance, evidence, and audit time budget collectively explain 90.7% of the changes in audit quality. However, the remaining 9.3% of changes was explained by other factors which are not included in the model. This suggests the model represents a fair prediction of the determinants of audit quality in OFAG.

ANOVA a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	8299.867	7	1185.695	243.806	.000b
Residual	812.167	167	4.683		
Total	9112.034	174			

Dependent Variable: audit quality

Predictors: (Constant), motivation, independence, training, auditor’s qualification & proficiency (competency), quality control & assurance, evidence, and audit time budget.

Furthermore, the ANOVA table shows the overall significance / acceptability of the model from a statistical perspective. As the significance value of F statistics shows a value .000, which is less than $p < 0.05$, implies the model is significant. This indicates that the variation explained by the model is not due to chance.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1(Constant)	1.573	1.794		.877	.382	.183	
Motivation	.216	.096	.121	2.249	.026	.079	5.451
Independence	.806	.091	.729	8.892	.000	.109	12.584
Training	.271	.126	.151	2.148	.033	.439	9.06
Competency	-.112	.079	-.049	-1.407	.161	.743	2.278
Quality control & assurance	.112	.076	.039	1.463	.145	.564	1.47
Evidence	-.518	.074	-.214	-6.972	.000	.404	1.72
Audit time budget.	.617	.163	.138	3.791	.000	.183	2.476

a. Dependent Variable: Audit quality

Source; Survey data (2020)

Based on the above coefficient table, the regression equation is presented as follows

$$Y = 1.573 + 0.216X_1 + 0.806X_2 + 0.271X_3 - 0.112X_4 + 0.112X_5 - 0.518X_6 + 0.617X_7 + e$$

Where;

Y= audit quality

X1=motivation

X2=independence

X3=training

X4=competency

X5=control

X6=evidence

X7= time

e = residual value

As stated earlier, this study aims to identify the most contributing independent variable in the prediction of the dependent variable. Thus, the strength of each predictor (independent influencing the criterion (dependent variable)) can be investigated via standardized Beta Coefficient. The regression coefficient explains the average amount of change in the dependent variable that is caused by a unit change in the independent variable. The larger value of Beta coefficient an independent variable has, brings the more support to the dependent variable as the more important determinant in predicting the dependent variable motivation, independence, training, auditor's qualification & proficiency (competency), quality control & assurance, evidence, and audit time budget were found to be a factors affecting audit quality in their ascending order referring to independence and training as the most important underlying factor affect audit quality of the office.

Among the seven factors affecting audit quality measures the five have positive effect and the two have negative effect on audit quality, among which independence has the highest effect with coefficient 0.729, followed by training (0.151), audit time budget (0.138), motivation (0.121), training (0.216) and quality control & assurance (0.39) respectively have positive effect. Whereas Auditors qualifications and proficiency (competency) (-0.049) and Evidence (-0.214) respectively have negative effect on financial and performance audit quality.

4.14. Summary of overall outcome of the research hypothesis

The hypothesis, that there is significant positive relationship between firm size and audit quality, would be accepted if the p-value of independent variable is less than 0.05 and the coefficient of the independent variable is positive (Brooks, 2008).

Table 4.14: Summary of overall outcome of the research hypothesis

<p style="text-align: center;">Hypothesis (Ho =null, H1-H7= alternative hypothesis)</p>	<p style="text-align: center;">Result</p>
<p>Ho: There is no significant relationship between motivation in decision making and audit quality</p>	<p>B = .121 p < 0.05</p>
<p>H1: There is significant relationship between employees motivation in decision making and audit quality</p>	<p>Ho: Rejected H1: Accepted</p>
<p>Ho: There is no significant relationship between independence and audit quality</p>	<p>B = .729 p < 0.05</p>
<p>H2: There is significant relationship between organization independence and audit quality</p>	<p>Ho: Rejected H2: Accepted</p>
<p>Ho: There is no significant relationship between training and audit quality</p>	<p>B = .151 p < 0.05</p>
<p>H3: There is significant relationship between training and audit quality</p>	<p>Ho: Rejected H3: Accepted</p>
<p>Ho: There is no significant relationship between auditors qualifications & proficiency(competency) and audit quality</p>	<p>B = - .049 p > 0.05</p>
<p>H4: There is significant relationship between auditors qualifications & proficiency(competency) and financial management</p>	<p>Ho: Accepted H4: Rejected</p>
<p>Ho: There is no significant relationship between quality control & assurance and audit quality</p>	<p>B = .039 p > 0.05</p>
<p>H5: There is significant relationship between quality control & assurance and audit quality</p>	<p>Ho: Accepted H5: Rejected</p>
<p>Ho: There is no significant relationship between evidence in decision making and audit quality</p>	<p>B = -.214 p < 0.05</p>
<p>H6: There is significant relationship between evidence and audit quality</p>	<p>Ho: Accepted H6: Rejected</p>
<p>Ho: There is no significant relationship between audit time budget in decision making and audit quality</p>	<p>B = .138 p < 0.05</p>
<p>H7: There is significant relationship between audit time budget and audit quality</p>	<p>Ho: Rejected H7: Accepted</p>

In general, among the seven predictors, multiple linear regressions analysis revealed that, independence is the first most significant variable for audit quality followed by training; audit time budget and motivation respectively are statistically significant while competence, quality control& assurance, and Evidence are statistically not significant or hypothetically rejected, respectively.

4.15. Analysis of open-ended question

Section two of the second sub section questionnaire includes open-ended questions were prepared for senior auditors, audit managers and audit directors of OFAG. Open-ended questions are useful when the researcher want to see how respondents discuss an issue or discover what is on their minds without imposing an agenda (Lake and Harper, 1987 Pitchaya, 2010, as cited Ejigsew et el, 2016). Moreover, open-ended questioner allows unlimited number of possible answers and unforeseen findings can be tapped, which were not captured using closed ended questions. It gives an opportunity to the respondent to answer in detail and can clarify their responses. Even though there was no a holistic overview of responses for the questionnaire from the respondents, the researcher tried to see and analyses what the majorities of the respondents agreed on the open ended questions. The researcher does not account every response due to the fact that many unique responses from the respondents.

The first open-ended question asked the respondent auditors regarding the relationship between the auditors' motivation factor and audit quality in OFAG. As it is mentioned above; there was no comprehensive overview of responses for these questions. Most of the respondent agreed that, there is a direct relationship between motivation factors and audit quality. This mainly because highly qualified and experienced auditors cannot stay in the office if the benefit package is too law which leads for poor quality audit work done by less qualified auditors and high turnover of auditors.

The second open-ended question asked to the respondents about the independency of auditors and its effect on audit quality in OFAG. Most of respondent auditors argue that, basically the issue of independency should be looked at the supreme

audit institutions (SAI) level. SAIs and their auditors should be independent and free from direction and interference from the legislature and the executive in the selection of audit issues, planning, programing, conducting, reporting and follow-up these audits. Therefore, organization or audit office, and management of the office if this things are not addressed the quality of the audit is compromised and there is always a question for OFAG.

The third open-ended question asked to the respondent concerning training for auditors and audit quality to OFAG, most of the respondent argued that providing adequate trailing to auditors is fundamental in addressing the issue of audit quality. However, the practice in OFAG is far from perfect. The training provided by OFAG was not adequate, poorly planned, poor need assessment and also there is no impact assessment about the gap addressed due to the intervention of the training.

The forth open-ended question asked to the respondent concerning auditors 'qualifications and proficiency (auditor's competency) and audit quality regarding OFAG. Most of respondents said that in OFAG the minimum qualification for entry level for auditors is BA degree with the relevant profession. However, developing the competency and proficiency of auditors through adequate training carries development, coaching, experience sharing with other institutions has been very limited, as the result there is a serious gap in the competency of OFAG auditors.

The Fifth open-ended question forwarded to the respondent in relation to quality control and assurance with audit quality of OFAG. Quality control helps SAIs to ensure that all phases of an audit process are carried out in compliance with its auditing standards, rules and procedures. Quality control procedures cover matters such as direction, review and supervision. Therefore, quality control process should be an integral part of auditing. On the other hand quality assurance is a process through which SAI assesses and monitors its system of quality control with the intention to ensure that controls are working effectively. When we see the practice in OFAG quality control activities are more or less conducted the main problem is that it lacks organized and uniformity guideline. On the other hand there is no quality assurance work conducted in the past auditing.

The sixth open-ended question forwarded to the respondent with regard to audit evidence and audit quality. Basically audit evidence should be sufficient, timely, valid, reliable and relevant in order to support the auditors' judgment and conclusion regarding the audit question. Thus, when we see the practices in OFAG the main problem observed is poor planning for evidence collection, resistance from the auditee (the audited office) to provide the necessary and sufficient evidence and failure by the auditors to apply the necessary audit analysis techniques.

On the last question regarding audit time budgeting is the core activity of planning in auditing. However, since very little effort is made to review the necessary documents and conduct the necessary pre audit activities and the practice of blanket planning for all audits mainly resulted in poor quality audit in OFAG.

Generally, most of the respondents have in sighted about those factors and related gaps of financial and performance audit quality in OFAG.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

In this chapter, summary, conclusions, and recommendations are presented and based on the major findings, subsequent conclusions are made. Based on the conclusion, recommendations are forwarded in relation to literatures reviewed to better enhance the OFAG audit quality.

5.1 Summary of major Findings

The main objective of this study was to investigate the factors affecting audit quality in OFAG. To accomplish this purpose, the researcher developed research objectives and hypotheses based of the various factors of audit quality. The researcher has also developed conceptual framework. This helped in developing questionnaires to gather information and descriptive and inferential statistics research design was adopted for this study. The researcher used a sample of 200 respondents from a targeted population of 400 auditors in OFAG to ensure that all levels of employees are represented. Among 200 respondents 175 were filled and returned the questionnaire. The study used stratified sampling technique. Quantitative data was analyzed using descriptive statistics and the data was coded and entered into Statistical Packages for Social Scientists (SPSS Version 24.0). Analysis was, then, based on descriptive statistics. Correlation and multiple regression analysis were used to establish the relationship between factors affecting audit quality and audit quality in OFAG.

According to the discussion and analysis of the data presented in chapter four, the researcher summarized the main point of the study findings as follows:

Descriptive statistics: in determining how motivation, independence, training, auditor's qualification & proficiency (competency), quality control and assurance, evidence and audit time budget affects audit quality in OFAG. The study registered an average of 4 or more than four in Likert scale, which indicated that the

respondents were in agreement that the factors audit quality can be affect audit quality in OFAG.

Correlation is a way to index the degree to which two or more variables are associated with or related to each other.

The chief objective is measuring the strength or degree of linear relationship between two variables. As noted by (Gujarati, 2004), most widely used bi-variant correlation statistics is the Pearson product-movement coefficient, commonly called the Pearson correlation which was used in this study. Correlation coefficient between two variables ranges from +1 (i.e. perfect positive relationship) to -1 (i.e. perfect negative relationship). The sample size is the key element to determine whether or not the correlation coefficient is different from zero/statistically significant.

Correlation analysis was used to establish the independent and dependent variables were between 0.246 and 0.934. The correlation between the dependent variable (Audit quality) and independent variables (motivation, $r= 0.815$, $p= 0.000$), (independence, $r=0.934$, $p= 0.000$), training, ($r= 0.850$, $p= 0.000$) auditor's qualifications and proficiency (competency), $r= 0.522$, $p= 0.000$) quality control & assurance, ($r= 0.246$, $p= 0.000$) evidence ($r=0.313$, $p= 0.000$) and audit time budget, ($r=0.628$, $p= 0.000$).

Correlation analysis between independent variables revealed that the highest correlation of 0.886 which is between training and independence. This result shows that training and independence of OFAG has strong significant relationship.

Independence and motivation has the second highest correlation coefficient ($r=0.840$) at 0.000 level of significant. This result indicates that there is a Strong positive relationship between independence and motivation at OFAG. Audit time budget and training, auditor's qualification and proficiency (Competency) and independence, evidence and training has correlation coefficient of 0.615, 0.615, and 0.598 respectively at 0.000 level of significant.

The study established also that there was significant relationship between independence and quality control & assurance ($r= 0.201$, $p= 0.008$), whereas there was no significant relationship between auditors qualification and proficiency (competency) and quality control & assurance ($r= 0.070$, $p= 0.359$) since $p > 0.05$, this indicates that there is no functional relationship existing between auditors qualification and proficiency (competency) and quality control & assurance.

In regard to direction of the effect the results of the regression model show that Independence, training, Audit time budget and motivation are the only variables that have significant effect (at 5% significant level) on Audit quality; while the other variables (competency, quality control and assurance, and evidence) seem to have no effect on Audit quality.

5.2 Conclusions

Based on the major findings stated above, the following conclusion has been reached.

The descriptive and inferential statistics results of the study revealed that OFAG has given low intention to audit quality.

The findings of the study found that factors affecting audit quality had a significant positive relationship with level of audit quality. Correlation analysis was used to establish the independent and dependent variables were between 0.246 and 0.934.

Similarly, among the seven predictors, multiple linear regressions analysis revealed that, independence is the first most significant variable for audit quality followed by training; audit time budget and motivation respectively are statistically significant while competence, quality control& assurance, and Evidence are statistically not significant or hypothetically rejected , respectively.

Generally, The research has also concluded that Motivation, Independence, Training, and Audit time Budget are the only variables that have a positive and significant effect (at 5% significant level) on Audit quality; while the other variables (competency, quality control, and assurance, and evidence) seem to have no effect on Audit quality.

5.3 Recommendations

Based on the analysis and conclusion the following few points are recommend, OFAG must;-

- ✓ Give high intention to financial and performance audit quality. This requires the auditors to improve conduct of audit with quality.
- ✓ Offer competitive salary, allowance and benefits for auditors, to give him incentive to work and do it better manner, and to be satisfied and comfortable, specially the auditors who have a high qualified and abilities all of this lead to retain him, to achieve the stability for the office.
- ✓ Update performance evaluation system in order to evaluate the performance of auditors appropriately and give recognition and incentives to a team or an individual auditor who perform better.
- ✓ Increasing auditing efficiency that leads to increase auditing quality. So, auditors should have degree in his specialty field, and a necessary work experience will effect on his efficiency, and strong knowledge and familiarity with the regulations, instructions and standers which relating to the accounting and auditing position will benefit the auditor in his work, on the other hand the training and developing the skills of the auditor during participate in programs, and to know the development technical way to discover the fraud and counterfeit, and trying to get professional certificates like ACCA all of that will enable auditors to improve their quality of work.
- ✓ Fill the skill gap of Auditors performance through scheduled and need assessment based training, try to maintain the best mix of skills in the audit teams; come up with strategies to retain its experienced staff, recruit Auditors from various background of Knowledge; Audit teams from various backgrounds would be ideal solution for reaching optimal decision, hire consultants from disciplines other than accounting; the knowledge and views of these consultants would lead to better output, develop experience sharing mechanism between the team and with other related Audit entities and develop standards to measure the performance

Audit quality.

- ✓ Auditors should seek to maintain higher level of specialty in auditing through participating in special seminars and training will add to the auditors more experience to his field and increase his qualification, meeting with people who are specialization in auditing filed will benefit and affect positively on his proficiency, therefore the professional auditor should know the government policies, rules, restrictions' and directions for use it.
- ✓ Develop awareness creation mechanism for the Auditees about the use of financial and performance audit. If they are aware of it, they will be willing full to provide the necessary documents and to give genuine information.
- Quality Control and Assurance department should be there in the OFAG with the aims at ensuring quality of audits and more supervision and review come up strengthened for all stages of the audit.

ANNEX

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Appendix

PPENDIX B: FREQUENCY DISTRIBUTION OF THE RESPONDENTS

No	Particulars	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree	
		Fre.	%	Fre.	%	Fre.	%	Fre.	%	Fre.	%
I.	MOTIVATION										
1.	In OFAG's past experience, there is an incentive given to a team (auditors) who have better performance.	-	-	9	5.1%	42	24%	42	24%	82	46.8%
2.	OFAG give Recognition to the individuals who produce better quality audit report.	5	2.8%	14	8%	33	18.8%	76	43.4%	47	26.9%
3.	OFAG's performance evaluation system can evaluate the performance of auditors appropriately	5	2.8%	28	16%	37	21.1%	77	44%	28	16%
4.	Auditor salary, allowance & benefits should be determined based the experiences of audit staff.	30	17.1%	83	47.4%	14	8%	34	19.4%	14	8%
5.	Auditors salary, allowance & benefits should be based the evaluation and workload of the staffs.	37	21.1%	96	54.8%	9	5.1%	24	13.7%	9	5.1%

II.	INDEPENDENCE											
1.	OFAG is not independent from audited entity	9	5.1%	14	8%	14	8%	82	46.8%	56	32%	
2.	OFAG doesn't give attention to Auditors independency.	5	2.8%	9	5.1%	91	52%	37	21.1%	33	18.8%	
3.	Conflict of interest is present in the work of auditors.	10	5.7%	28	16%	37	21.1%	77	44%	23	13.1%	
4.	performance Auditors are free and unrestricted access to all required information and operations, in accomplish its task	28	16%	9	5.1%	37	21.1%	96	54.8%	5	2.8%	
5.	OFAG is not independent from Legislature.	14	8%	82	46.8%	14	8%	37	21.1%	28	16%	
6.	Auditors are free from control or undue influence in the statement of facts revealed by the examination or in the expression of recommendations or opinion as a result of the examination.	23	13.1%	23	13.1%	106	60.6%	23	13.1%	-	-	
7.	OFAG has the functional and organizational independence required to accomplish their tasks.	28	16%	23	13.1%	105	60%	14	8%	5	2.8%	
8.	Auditor has freedom to develop his/her own audit program	19	10.8%	114	65.1%	9	5.1%	14	8%	19	10.8%	
9.	OFAG selects the subjects for audit without approval of any external body (executive or legislature).	23	13.1%	100	57.1%	28	16%	14	8%	10	5.7%	
III.	TRAINING											

1.	Auditors acquire knowledge and skill in variety of areas through training to conduct Audit.	9	5.1%	24	13.7%	9	5.1%	82	46.8%	51	29.1%
2.	The outcome of the audit training was evaluated.	9	5.1%	28	16%	33	18.8%	37	21.1%	68	38.8%
3.	Your office gives the opportunity of getting training helping for skills develop & to update your knowledge.	9	5.1%	51	29.1%	6	3.4%	86	49.1%	23	13.1%
4.	Training schedules and need assessment should be prepared by the concerned trainers.	19	10.8%	23	13.1%	37	21.1%	86	49.1%	10	5.7%
5.	OFAG applied or change in to practice policies for training of audit staff.	10	5.7%	42	24%	86	49.1%	23	13.1%	14	8%
6.	OFAG has policies for training of performance and/or financial audit staff.	23	13.1%	19	10.8%	91	52%	28	16%	14	8%
IV.	AUDITORS QUALIFICATION AND PROFICIENCY (COMPETENCY)										
1.	Auditors have knowledge or aware on various analysis tools and techniques	6	3.4%	23	13.1%	51	29.1%	86	49.1%	9	5.1%
2.	External consultants and assistance are assigned to help performance &/or financial auditors.	-	-	47	26.8%	108	61.7%	20	11.4%	-	-
3.	Team leaders and supervisors assigned to conduct audits have enough practical experience.	9	5.1%	94	53.7%	47	26.8%	19	10.8%	6	3.4%
4.	There is not a complete competency matrix in each group	33	18.8%	76	43.4%	42	24%	5	2.8%	19	10.8%

5.	Auditors are not assigned based on Auditors' competency /experience/ ability.	37	21.1%	72	41.1%	33	18.8%	23	13.1%	10	5.7%
6.	Performance and /or financial auditors have the experience to deal with challenging or debatable issues.	19	10.8%	90	51.4%	47	26.8%	19	10.8%	-	-
7.	Audit staff members have appropriate qualifications and experience for the position they occupy.	19	10.8%	113	64.6%	19	10.8%	19	10.8%	5	2.8%
8.	Experienced auditors have the ability to generate findings and their causes	47	26.8%	118	67.4%	5	2.8%	5	2.8%	-	-
V.	QUALITY CONTROL & ASSURANCE										
1.	The quality Assurance directorate in the OFAG does actively involve insuring quality of performance and/or financial Audit.	5	2.8%	19	10.8%	42	24%	95	54.3%	14	8%
2.	In OFAG there is experience sharing mechanism with other related entities to upgrade Audit quality.	5	2.8%	28	16%	47	26.8%	76	43.4%	19	10.8%
3.	The quality of an Audit produced by OFAG is in question by PAC/public accountancy committee (legislative).	6	3.4%	23	13.1%	96	54.8%	42	24%	8	4.6%
4.	The quality of performance & financial Audit produced by OFAG is in question by the Auditee	5	2.8%	19	10.8%	109	62.3%	37	21.1%	5	2.8%
5.	Those auditors/experts who are in the quality assurance directorate have enough knowledge/skill /experience/ to examine audit quality.	10	5.7%	29	16.6%	99	56.6%	37	21.1%	-	-

VI.	EVIDENCE										
1.	OFAG influence those aduitees are asked by law if they are not available the evidence properly	9	5.1%	9	5.1%	33	18.8%	100	57.1%	23	13.1%
2.	Samples selected and sample size taken for audit does represent the total population.	15	8.6%	37	21.1%	9	5.1%	105	60%	9	5.1%
3.	Auditees give appropriate and sufficient genuine information when the audit team interviews /asked them.	14	8%	33	18.8%	33	18.8%	90	51.4%	5	2.8%
4.	Auditees are aware of about the usefulness of performance &/or financial audit.	9	5.1%	19	13.9%	113	64.6%	28	16%	6	3.4%
VII.	AUDIT TIME BUDGET										
1.	Audit directorates should have enough budgets to carry their works in field trips.	9	5.1%	33	18.8%	23	13.1%	91	52%	19	13.9%
2.	During audit time pressure auditors using more efficient audit techniques.	9	5.1%	37	21.1%	33	18.8%	91	52%	5	2.8%
3.	Tight audit time is associated with questionable audit practices	9	5.1%	99	56.6%	51	29.1%	9	5.1%	7	4%
4.	If audit time is too low auditors may omit parts of audit program	19	13.9%	124	70.8%	23	13.1%	9	5.1%	-	-
VIII.	AUDIT QUALITY										
1.	Competition to get higher audit salary, allowance, & benefits will affect audit quality.	5	2.8%	91	52%	37	21.1%	37	21.1%	5	2.8%

2.	Higher auditors' salary, allowance and benefits are associated with higher audit quality	47	26.8%	96	54.8%	9	5.1%	14	8%	9	5.1%
3.	Independence in OFAG contributes to the accuracy of the auditors' work and the ability to rely on reported results.	42	24%	14	8%	14	8%	105	60%	-	-
4.	Auditors are free from control or undue influence in the statement of facts revealed by the examination or in the expression of recommendations or opinion as a result of the examination.	23	13.1%	23	13.1%	106	60.6%	23	13.1%	-	-
5.	Auditors must have sufficient training to review appropriate audit procedures.	5	2.8%	23	13.1%	56	32%	86	49.1%	5	2.8%
6.	There is no skill gap problem between auditors to conduct an audit.	5	2.8%	23	13.1%	28	16%	96	54.8%	23	13.1%
7.	Auditor's knowledge positively changes as experience increases.	33	18.8%	119	68%	23	13.1%	-	-	-	-
8.	The major considerable issue in performance and/or financial audit for OFAG is quality of the report than number of the report produced	14	8%	28	16%	23	13.1%	96	54.8%	14	8%
9.	There is a standard in OFAG to measure the Quality of performance &/or financial Audit.	10	5.7%	108	61.7%	47	26.5%	5	2.8%	5	2.8%
10.	The amount and reliability of evidence gathered from the auditee does help the auditor to reach a conclusion.	23	13.1%	14	8%	119	68%	19	10.8%	-	-
11.	Higher audit budget associated with higher audit quality.	28	16%	105	60%	14	8%	28	16%	-	-
12.	Tight audit time impairs/poor audit quality.	33	18.8%	118	67.4%	-	-	19	10.8%	5	2.8%

FACTORS AFFECTING AUDIT QUALITY: THE CASE OF FEDERAL AUDITOR GENERAL OF ETHIOPIA (OFAG)

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Abstract

This paper focuses on factors affecting audit quality in Office of the Federal Auditor General of Ethiopia as a case study. The general objective implied factors affecting financial and performance audit quality in OFAG. The independent variables of audit quality are motivation, independence, training, auditor's qualifications and proficiency, quality control and assurance, evidence and audit time budget. The study used descriptive and inferential statistics research design with mixed qualitative and quantitative methods where primary data was collected using Likert-scale questionnaires distributed and collected. A set of questionnaires was administered to 200 auditors out of the target population 400 auditors of OFAG in Addis Ababa, of whom 175 were responded. Secondary data was gathered from the office and different publications. Proportional stratified sampling technique has been used to analyze data collected through questionnaires of OFAG. Regression analysis was done to determine the relationship and the significance level of factors affecting towards audit quality. In general the respondents believe that audit quality in OFAG was low intention. The research concluded that Motivation, Independence, Training, and Audit time Budget are the only variables that have a positive and significant effect (at 5% significant level) on Audit quality; while the other variables (competency, evidence, and quality control and assurance) seem to have no

significant effect on Audit quality. The study recommend that OFAG should improve audit quality through motivation, independence, training, competency, quality control and assurance, sufficient and appropriate audit evidence and adequate audit time budget.

Keywords: Audit Quality, Factors, Financial and Performance Audit, OFAG

1. Introduction

There are many researches done on audit quality in other countries. But, limited studies did on audit quality in Ethiopia and the researchers used different variables and case of study for the thesis. The few studies are (Solomon, 2016) examined factors affecting quality of external auditing of Ethiopian commercial banks whether audit quality is influenced by audit firm tenure, audit firm industry specialization, audit fee, bank size, leverage position of the bank and profitability of the bank. (Ejigsew, 2016) studied the impact of provision of non-audit service (NAS) on auditor independency and audit quality.

(Tensae, 2017) on his study determinants of external audit quality of Ethiopian audit firms used audit firm variables of independence, audit experience, accountability, audit fee, firm size and regulation. (Habtewold, 2017) Studied Factors Affecting The Quality Of Performance Audit on the case of OFAG and used the following factors like Auditors competency, Work place absenteeism, Written Guidance, quality control assurance, evidence, training and motivation, threats of independency,

The main mandate of the OFAG is to provide independent assurance to the federal government that adequate and reliable information for proper leadership and administration of the country's economy is functioning as legislated as well as to enhance accountability, transparency and good governance across the structure of the Federal government institutions and public bodies. OFAG undertake types of financial, performance, environmental audit, information technology (IT) audit, special audit and other audits of the offices and organizations of the federal government.

There is a need to study the basic problem and their causes that has stated on annual reports of OFAG previously, thus the researcher has been seen high auditors turnover, a gap of consistence quality control and motivation on each audit stage, several years of experience is necessary for staff auditors, but almost half of the staff has less than five years'

experience and this tends to a large burden on those experienced managers and senior auditors to guide and train the new staff of financial and performance auditors. Consequently, it becomes a serious challenge for OFAG and to conduct high quality audit.

However, as per the literature, the researcher employed to feeling the gap by focusing factors like Auditors competency, quality control and assurance, audit budget time, evidence, training and motivation, threats of independency most likely affect the quality of performance and financial audit in OFAG. For the reasons above, this study aims to ;

- Identify the factors that affecting audit quality in OFAG
- Determine the most important factors affecting audit quality of OFAG.

Methodology

The study employed descriptive and inferential statistics research design, with qualitative and quantitative research approach. The researcher collected data via prepared closed ended and open ended instrument for those 200 sample size auditors of OFAG, and also SPSS version 24 is used to analysis the collected data.

2. Literature review

2.1 Factors affecting Audit quality

2.1.1 Independence

The auditor is subject to independence and other ethical requirements, which ordinarily comprise Parts A and B of the International Federation of Accountants' Code of Ethics for Professional Accountants related to an audit of financial statements together with national requirements that are more restrictive.

The concept of independence refers both to the state of mind of the auditor and independence in appearance. The independence of the auditor from the entity whose financial statements are subject to audit safeguards the auditor's ability to form an audit opinion without being affected by influences that might compromise that opinion. Independence enhances the auditor's ability to act with integrity, to be objective and to maintain an attitude of professional skepticism (IFAC, 2007).

2.1.2 Quality Control Assurance

One cannot take a quality system for granted. Describing procedures and policies is step one. Checking whether procedures and policies are working effectively is an indispensable next step. SAIs set up different kinds of arrangements: At the engagement level several SAIs have arranged that audit products in different stages of the audit require a signature of certain officials before the next stage of the audit can begin. Some SAIs have “case managers” allocated to each audit; performance audit experts that provide support to audit teams during the whole audit. At the organizational level several SAIs have a separate unit checking the quality of systems, procedures and reports. It is also common that SAIs have (a sample of) their audit reports reviewed after publication. This could for instance be done through Peer reviews, where other SAIs review the work, or by scientific expert panels (Performance Auditing Guidelines 2014).

2.1.3 Auditor qualifications and proficiency

The audit offices and their individual auditors must possess the required competence. Staff competence is clearly identified in the professional literature as a key element in effective audit activity (IIA, 2006).

Knowledge Requirements this proposed standard prescribes the specific knowledge audit professionals require in addition to what IES 2 prescribes for all professional accountants. This additional knowledge is in three key areas: financial statement audit; financial accounting and reporting; and information technology. The knowledge is to be at an advanced level, which is deeper than that expected of professional accountants.

Professional Skills The proposed standard outlines the application and development of professional skills specific to financial statement audits. While IES 3 prescribes some of these skills for all professional accountants, it is expected that audit professionals should develop and apply them in an audit environment.

Practical Experience The proposed standard prescribes that individuals must gain a period of relevant practical experience before having substantial involvement in a financial statement audit assignment. They can acquire this experience before, during or after qualification as a professional accountant; this practical experience should be gained under

the guidance of an auditor in a suitable organization. The experience needs to be of sufficient depth and duration to enable individuals to demonstrate they have the necessary capabilities and competence prescribed in the proposed standard (IFAC, 2005).

2.1.4. Audit time (Audit Tenure)

Audit tenure is “the number of periods-years an audit firm, an auditor audits a client or the number of years a company employs the same auditor”. Audit tenure has been dissected into large and short audit periods. Long audit tenure might decrease the independence and professional care. On the other hand, shorter audit tenure reflects that the auditors have less knowledge about the client which may lead to low audit quality. Long audit tenure may increase the knowledge about the client’s internal operations; but, the downside is that the auditor’s independence may get compromised (Feleke, 2017). Thus, the researcher has taken factors of audit tenure as audit time budget for OFAG to imply audit quality.

2.1.5 Evidence

Audit Evidence for the auditor to obtain sufficient appropriate audit evidence is a fundamental audit requirement, appropriate for inclusion as a requirement in proposed ISA 200 (Revised and Redrafted). ISA provides the appropriate context for the requirement that the auditor use objectives to consider whether sufficient appropriate audit evidence has been obtained. Accordingly, the requirement for the auditor to obtain sufficient appropriate audit evidence has been moved from extant ISA 500 to proposed ISA 200 (Revised and Redrafted).

The repositioning of this requirement from extant ISA 500 is consistent and appropriate with the scope of proposed ISA 500 (Redrafted), “Considering the Relevance and Reliability of Audit Evidence” 3 as a result of redrafting that ISA in accordance with IAASB’s clarity conventions (IFAC, 2007).

2.1.6 Training for auditors

An auditor must have training to ensure competence in auditing skills, related standards and regulations, general structure of quality assurance programs, auditing techniques, and other work specific skills. Competence can be developed through the following methods :(Russell, 2005)

- Orientation on related standards
- Implementation procedures
- Training programs on subjects related to auditing
- On-the –job training

Auditors should maintain their technical competence through continuing education and current relevant auditing experience (Russell, 2005).

2.1.7 Motivation of auditors

The theory of audit quality in regard to audit fees (salary, wage, allowance, rewards and benefits for government external auditors) seems to be very obvious. Evidently, fees paid to auditors can affect audit quality in different ways .large fees paid to auditors may allow the auditor to increase the effort, which will increase audit quality .contrarily, high fees paid to auditors, notably those that are related to non-audit service, make auditors more economically dependent on their clients. High audit fees alone can already lead to an independence issue for the auditors (Jonas, 2013).

3. Discussion

3.1 Correlation Analysis

Pearson correlation coefficients reveal magnitude and direction of relationships (either positive or negative) and the intensity of the relationship (–1.0 to +1.0). Correlations are perhaps the most basic and most useful measure of association between two or more variables (Marczyk, Dematteo & Festinger, 2005).

Table 1: Correlation Analysis

Correlations								
Pearson Correlations	Motivation (M)	Independence (I)	Training (T)	Competency (C)	Quality & Control Assurance (QC)	Evidence (E)	Audit time Budget (TB)	Audit Quality (AQ)
M	1							

Model	R	R Square	Adjusted R Square	the Estimate	F Change	df1	df2	Change
1	.954a	.911	.907	2.20528	243.806	7	167	.000

a. Predictors: (Constant), motivation, independence, training, auditor's qualification & proficiency (competency), quality control & assurance, evidence, and audit time budget

R-squared statistics and the adjusted-R squared statistics of the model was 91.1% and 90.7% respectively. The result of this estimation of adjusted-R squared indicates that the changes in the independent variables explain 90.7% of the changes in the dependent variable. This means that motivation, independence, training, auditors' qualification & proficiency (competency), quality control & assurance, evidence, and audit time budget collectively explain 90.7% of the changes in audit quality. However, the remaining 9.3% of changes was explained by other factors which are not included in the model. This suggests the model represents a fair prediction of the determinants of audit quality in OFAG.

ANOVA a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	8299.867	7	1185.695	243.806	.000b
Residual	812.167	167	4.683		
Total	9112.034	174			
Total	9112.034	174			

Dependent Variable: audit quality

Predictors: (Constant), motivation, independence, training, auditor's qualification & proficiency (competency), quality control & assurance, evidence, and audit time budget.

Furthermore, the ANOVA table shows the overall significance / acceptability of the model from a statistical perspective. As the significance value of F statistics shows a value .000,

which is less than $p < 0.05$, implies the model is significant. This indicates that the variation explained by the model is not due to chance.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
1(Constant)	1.573	1.794		.877	.382	.183	
Motivation	.216	.096	.121	2.249	.026	.079	5.451
Independence	.806	.091	.729	8.892	.000	.109	12.584
Training	.271	.126	.151	2.148	.033	.439	9.06
Competency	-.112	.079	-.049	-1.407	.161	.743	2.278
Quality control & assurance	.112	.076	.039	1.463	.145	.564	1.47
Evidence	-.518	.074	-.214	-6.972	.000	.404	1.72
Audit time budget.	.617	.163	.138	3.791	.000	.183	2.476

b. Dependent Variable: Audit quality

Source; Survey data (2020)

Based on the above coefficient table, the regression equation is presented as follows

$$Y = 1.573 + 0.216X_1 + 0.806X_2 + 0.271X_3 - 0.112X_4 + 0.112X_5 - 0.518X_6 + 0.617X_7 + e$$

Where;

Y= audit quality

X1=motivation

X2=independence

X3=training

X4=competency

X5=control

X6=evidence

X7= time

e = residual value

As stated earlier, this study aims to identify the most contributing independent variable in the prediction of the dependent variable. Thus, the strength of each predictor (independent influencing the criterion (dependent variable) can be investigated via standardized Beta Coefficient. The regression coefficient explains the average amount of change in the dependent variable that is caused by a unit change in the independent variable. The larger value of Beta coefficient an independent variable has, brings the more support to the dependent variable as the more important determinant in predicting the dependent variable motivation, independence, training, auditor's qualification & proficiency (competency), quality control & assurance, evidence, and audit time budget were found to be a factors affecting audit quality in their ascending order referring to independence and training as the most important underlying factor affect audit quality of the office.

Among the seven factors affecting audit quality measures the five have positive effect and the two have negative effect on audit quality, among which independence has the highest effect with coefficient 0.729, followed by training (0.151), audit time budget (0.138), motivation (0.121), training (0.216) and quality control & assurance (0.39) respectively have positive effect. Whereas Auditors qualifications and proficiency (competency) (-0.049) and Evidence (-0.214) respectively have negative effect on financial and performance audit quality.

3.3. Summary of overall outcome of the research hypothesis

The hypothesis, that there is significant positive relationship between firm size and audit quality, would be accepted if the p-value of independent variable is less than 0.05 and the coefficient of the independent variable is positive (Brooks, 2008).

Table 4.13: Summary of overall outcome of the research hypothesis

Hypothesis (Ho =null, H1-H7= alternative hypothesis)	Result
Ho: There is no significant relationship between motivation in decision making and audit quality	B = .121 p < 0.05
H1: There is significant relationship between employees motivation in decision making and audit quality	Ho: Rejected H1: Accepted
Ho: There is no significant relationship between independence and audit quality	B = .729 p < 0.05
H2: There is significant relationship between organization independence and audit quality	Ho: Rejected H2: Accepted
Ho: There is no significant relationship between training and audit quality	B = .151 p < 0.05
H3: There is significant relationship between training and audit quality	Ho: Rejected H3: Accepted
Ho: There is no significant relationship between auditors qualifications & proficiency(competency) and audit quality	B = - .049 p > 0.05
H4: There is significant relationship between auditors qualifications & proficiency(competency) and financial management	Ho: Accepted H4: Rejected
Ho: There is no significant relationship between quality control & assurance and audit quality	B = .039 p > 0.05
H5: There is significant relationship between quality control & assurance and audit quality	Ho: Accepted H5: Rejected
Ho: There is no significant relationship between evidence in decision making and audit quality	B = -.214 p < 0.05
H6: There is significant relationship between evidence and audit quality	Ho: Accepted H6: Rejected

Ho: There is no significant relationship between audit time budget in decision making and audit quality	B = .138 p < 0.05
H7: There is significant relationship between audit time budget and audit quality	Ho: Rejected H7: Accepted

In general, among the seven predictors, multiple linear regressions analysis revealed that, independence is the first most significant variable for audit quality followed by training; audit time budget and motivation respectively are statistically significant while competence, quality control& assurance, and Evidence are statistically not significant or hypothetically rejected, respectively.

4. Conclusion and future research

Based on the major findings stated above, the following conclusion has been reached.

The descriptive and inferential statistics results of the study revealed that OFAG has given low intention to audit quality.

The findings of the study found that factors affecting audit quality had a significant positive relationship with level of audit quality. Correlation analysis was used to establish the independent and dependent variables were between 0.246 and 0.934.

Similarly, among the seven predictors, multiple linear regressions analysis revealed that, independence is the first most significant variable for audit quality followed by training; audit time budget and motivation respectively are statistically significant while competence, quality control& assurance, and Evidence are statistically not significant or hypothetically rejected , respectively.

The research has also concluded that Motivation, Independence, Training, and Audit time Budget are the only variables that have a positive and significant effect (at 5% significant level) on Audit quality; while the other variables (competency, quality control, and assurance, and evidence) seem to have no effect on Audit quality.

In Ethiopia limited studies are conducted for audit quality especially in governmental/public audit organization. Thus, the researcher request the future research to link each specific factor that affecting audit quality separately with auditors, the audit office, the audited office and the regulatory body .

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