

**FACTORS INFLUENCING EFFECTIVENESS OF AUDIT GENERAL  
OFFICES: IN THE CASE OF SIDAMA REGIONAL STATE**

**MASTER OF SCIENCE IN ACCOUNTING & FINANCE THESIS**

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**HAWASSA UNIVERSITY, HAWASSA, ETHIOPIA**

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**A THESIS SUBMITTED TO THE  
DEPARTMENT OF ACCOUNTING & FINANCE,  
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I, TIBEBU TAYE ASFERE, hereby declare that this work entitled “FACTORS INFLUENCING EFFECTIVENESS OF AUDIT GENERAL OFFICES IN THE CASE OF SIDAMA REGIONAL STATE” is my original work and has not been presented for a degree in any other university, and all sources of material used for this thesis have been duly acknowledged.

Name -----

Signature -----

This “FACTORS INFLUENCING EFFECTIVENESS OF AUDIT GENERAL OFFICES IN THE CASE OF SIDAMA REGIONAL STATE” MSc thesis has been submitted for examination with my approval as thesis advisor.

Name: \_\_\_\_\_

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## LIST OF ABBRIVATION AND ACRONYMS

AG	Audit General
BoF	Bureau Of Finance
CAA	Competency And Advocacy Of The Auditor
CFA	Cooperation From Audits
GAE	Government Audit Effectiveness
IIA	Institute Of Internal Auditors
IFAC	International Federation Of Accountants
IND	Independence
INTOSAI	International Organization Of Supreme Audit Institutions
ISSAI	International Standards Of Supreme Audit Institutions
OSAG	Office Of The Sidama Auditor General
REC	Resource Availability
SPSS	Statistical Package For The Social Sciences
VIF	Variance Inflation Factor

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## ABSTRACT

*The main purpose of the study is to investigate the factors influencing effectiveness of Audit general Office in the case of Sidama Regional State (OSAG) in Ethiopia. To this end, this study covered the period from October 01, 2024 Up to December 31, 2024. In light of this objective the study adopted quantitative method of research approaches to test a series research hypothesis. Specifically, the study used survey of structured questionnaires administered to 64 auditors. Data was then analyzed on quantitative basis using Statistical Package for the Social Sciences (SPSS) Version 26, linear regression analysis and descriptive statistics. Key factors investigated include Competency and Advocacy of the Auditor, auditor independence, cooperation from audits, and resource availability. The findings of the study showed that a significant positive relationship between each of these factors and the overall effectiveness of government audits. Competency and Advocacy of the Auditor, enhanced by continuous professional development and adherence to established standards, emerged as a crucial determinant. Auditor independence, free from political and managerial influence, was found to be critical for unbiased and reliable audit outcomes. Cooperation from audits, characterized by timely provision of information and supportive attitudes, was also highlighted as a key contributor to effective audits. Additionally, the availability of adequate resources, such as financial, technological, and human capital, was essential for the efficient execution of audit processes. The study highlights the need for targeted interventions to address these factors, thereby improving the effectiveness of audits and enhancing public sector governance. Recommendations include enhancing training programs, reinforcing auditor independence, fostering collaborative relationships with audits, and ensuring adequate resource allocation. Finally, the study proposed that future research should focus on conducting similar research by undertaking a qualitative study and including various stakeholders or larger samples from different parts of the country to confirm the generalizability of the findings.*

**Keywords:** *Government Audit Effectiveness, Competency and Advocacy of the Auditor, Auditor Independence, Cooperation from Audited, Resource Availability, Public Sector Governance, determinants and factors affecting performance audit effectiveness.*

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1 Background of the Study

Governance in a democratic country necessitates accountability in public fund utilization and the provision of effective, efficient, and economical service delivery. An effective audit function is critical for controlling and optimizing the use of scarce resources in public sector organizations. This function is indispensable in combating corruption, which is a pervasive issue in many developing countries and a significant contributor to "bad governance" Accountability, defined as the obligation to report and account for assigned responsibilities, is a cornerstone of good governance. (L. et al., 2024)

Ethiopia faces significant challenges related to corruption, often linked to a lack of accountability and proactive oversight. This situation highlights the importance of robust auditing mechanisms. Auditing involves an independent examination conducted by an auditor who provides a report based on factual observations. Effective audits hold organizations accountable by transparently highlighting performance deficiencies. The effectiveness of audits is enhanced when auditors' challenges are adequately addressed. (Lapteş, 2021)

Auditing is fundamental to good public sector governance. It provides unbiased, objective assessments of whether public resources are managed responsibly to achieve intended results. Auditors play a pivotal role in ensuring accountability and integrity, improving operations, and fostering public confidence. The public sector auditor's role includes oversight, insight, and foresight—ensuring entities fulfill their responsibilities, providing independent assessments, and identifying emerging challenges. Tools such as financial audits, performance audits, investigations, and advisory services support these roles. (Turetken et al., 2020) Effectiveness in auditing encompasses competence, procedural arrangements, quality control, and quality assurance. Procedural arrangements ensure compliance with technical, legal, and regulatory standards. (Bender Nicholas Bloom David Card John Van Reenen Stefanie Wolter et al., 2016) According to Proclamation No. 982/2016, strengthening the audit system is vital for providing reliable data essential for the effective management of the national economy. Auditing reflects the new democratic system by ensuring accountability across various government offices and organizations. (Ethiopian People Democratic Front, 2017)

Despite its importance, government auditors face numerous challenges. (“Factors Influencing External Auditors’ Independence of Private Audit Firms in Ethiopia,” 2021) identified issues such as lack of independence, difficulty in obtaining necessary audit data, and lack of motivation as significant obstacles for Ethiopian federal public auditors. Effective auditing at both federal and state levels is crucial for fostering accountability, transparency, and good governance.

Previous studies have highlighted factors influencing internal audit effectiveness in the public sector. (Mihret et al., n.d.) Identified internal audit quality, management support, organizational setting and audit attributes as key factors. (Aliyi, 2019) Found that independence, management support, competence, and organizational setting impact internal audit effectiveness. However, Empirical studies are lacking to identify Factors affecting the Effectiveness of performance audit in OSAG and other types of audits. (“Factors Influencing External Auditors’ Independence of Private Audit Firms in Ethiopia,” 2021); (Birhanu, 2016); (Hailemariam, n.d.). Therefore, his study aims to examining the factors Influencing Effectiveness of audit general Offices in the Case of Sidama Regional State (OSAG) and proposing solutions to identified problems.

## **1.2 Background of the organization**

Proclamation No. 7/1992 laid the foundation for establishing National/Regional State Governments in Ethiopia. Article 8(e) mandates National/Regional self-government to have an Audit and Control Office, with Article 15(h) empowering Regional Councils to establish these offices. The 1994 Constitution of Ethiopia introduced significant changes in the government auditing structure, delineating responsibilities between federal and regional audit institutions. Following this, each Regional State Council enacted a proclamation to establish audit offices. Article 101 of the Federal Constitution outlines the Federal Auditor General’s powers and duties, while Articles 33 and 34 of Proclamation No. 7/1992 specify the accountability, powers, and duties of Regional Audit Office heads. (Ethiopian People Democratic Front, 2017)

Proclamation No. 09/2012 EC established the Office of the Auditor General of Sidama (OSAG), granting it authority to conduct various audits, including financial, performance, environmental, and fraud audits. With increased government involvement in developmental projects, the demand for reliable and timely financial and performance information has grown (INTOSAI, 2019)

Auditing is crucial for providing credible financial reports that reflect actual financial situations and compliance with established criteria (World Bank, 2020)

### **1.3 Statement of the Problem**

There must be a legal framework in place to protect the country's resources. The government shall take tax, foreign aid and loans from the Internal Revenue Tax, foreign aid and loans to properly manage the social, economic and political conditions and approve the budget by the House of People's Representatives. It must be assured by the Auditor of State that this resource is used only for the intended purpose of the authorized offices. Government officials should only work in accordance with the law. In this sense, the government audit service should be established as independent and impartial. (IIA, 2006)

An audit is a body that independently examines an office or organization following law and regulations without influence, and identifies strengths and weaknesses that have been identified and reports to the executive authorities for action. It requires verification by the auditor of the legislative body (parliament) to determine whether public offices are performing their duties properly. Auditors work in accordance with the law and regulations and submit reports. In this regard, there is a need for an effective public auditor with accountability, transparency and good governance in the public office. (Conteh, n.d.)

Factors influencing the effectiveness of government audits in Pakistan include high levels of corruption, conservative audit methods, lack of cooperation in audit organizing offices, low auditor morale, lack of financial independence and lack of action on submitted reports, lack of skilled manpower and lack of timely training. (Masood & Afzal, 2016) Although the government audit service in Ethiopia has been established since 1930, its effectiveness is negligible due to the lack of attention paid to the executive branch of government. According to a study, factors influencing the effectiveness of government audits include lack of knowledge and skills, lack of adequate training, lack of independence, difficulty gathering the necessary data for audit work, and motivation. The study by (Birhanu, 2016) in her thesis "Factors Affecting Performance Audit Effectiveness in the Office of the Federal Auditor General of Ethiopia" Drawing on the procedures of the Office of the Auditor General of Ethiopia aimed at examining the factors influencing the effectiveness of performance audits, the function of the auditors and the contributions of the Public Accounting Committee related to performance audits and its

effectiveness. The final results of the study suggested that there was a positive relationship between legally authoritative, adequate and qualified professional, post-audit monitoring, and performance audit effectiveness. The main challenges of operational audits include inadequate staffing, inadequate compensation for auditors, lack of access to other resources, lack of adequate knowledge, skills and experience to conduct performance audits, failure to accurately identify high-risk areas and develop evaluation criteria, lack of proper documentation from the audit organizing party, and lack of clear identification of accountability; Management lacks attention, knowledge, positive attitude towards performance audits. As noted above, most previous studies have attempted to highlight the challenges facing government audit performance in a variety of ways and may have some limitations in answering research questions under consideration. First, the researchers' focus primarily on performance audit tests. Although it has not considered other types of audits and financial audit challenges (Beyashe, 2021) in the audit of the Federal Government, as defined in Proclamation No. 09/2012 EC establishment of the Sidama Regional Auditor Office, the Sidama Regional Auditor General's Office), OSAG is carrying out various activities. Financial audit, regulatory (compliance) audit, environmental audit, performance audit, and fraud audit. Second, there has not been extensive research on the topic given by the Office of the Auditor General of Ethiopia and especially the Sidama Auditor General (OSAG). With these in mind, this study examined the reasons why the Sidama Auditor General's Office influences the effectiveness of Ethiopian government audits, and in particular whether Competency and Advocacy of the Auditor, independence, cooperation with the audit organizer and availability of relevant resources affect the effectiveness of government audits. The main reason is that this study basically aims to identify the obvious causes from the listed literature findings, which may affect study areas. And to recommend ways to solve identified problems. As a result, this study aims to fill knowledge gaps and enhance similar research on government audits in Ethiopia.

### **1.3.1 General Objective**

- The general objective of this study is to identify and analyze the factors influencing effectiveness of Audit General Offices in the case of Sidama regional State.

### **1.3.2 Specific Objectives**

The study aims to achieve the following specific objectives:

- To examine the effect of Competency and Advocacy of the Auditor on the effectiveness of government audits in the Office of the Sidama Auditor General.
- To assess the effect of auditor independence on the effectiveness of government audits in the Office of the Sidama Auditor General.
- To determine how cooperation from auditees influences the effectiveness of government audits in the Office of the Sidama Auditor General.
- To analyze the impact of the availability of appropriate resources on the effectiveness of government audits in the Office of the Sidama Auditor General.

#### 1.4 Research Hypothesis

Based on the review of related literature Birhanu, 2016; Beyashe, 2021 and Masood and Afzal, 2016, which explores the relationships between Competency and Advocacy of the Auditor, auditor independence, cooperation from audits, resource constraints, and government audit effectiveness, this study proposes the following directional hypotheses:

- *H1: Competency and Advocacy of the Auditor is positively related to the effectiveness of government audits in the Office of the Sidama Auditor General.*
- *H2: Auditor independence is positively related to the effectiveness of government audits in the Office of the Sidama Auditor General.*
- *H3: Cooperation from auditees positively impacts the effectiveness of government audits in the Office of the Sidama Auditor General.*
- *H4: The availability of appropriate resources is positively related to the effectiveness of government audits in the Office of the Sidama Auditor General.*

#### 1.5 Significance of the study

This research offers significant contributions to various stakeholders involved in auditing, either directly or indirectly. The anticipated benefits of the study include:

**Improvement of Audit Effectiveness:** The findings and recommendations of the study may enhance the effectiveness of the Office of the Sidama Auditor General by identifying and addressing key factors influencing audit performance.

**Public and Audit Awareness:** The study's results may raise awareness among the public and audits about the necessity, impact, and importance of an effective government audit. This increased awareness can foster cooperation and positive relationships between auditors and audits, ensuring the completion of audits effectively. An effective government audit function is a crucial management tool for monitoring and directing internal operations within an organization.

**Guidance for Policymakers and Stakeholders:** The study may provide valuable insights into the factors influencing government audit effectiveness for parliament, regional councils, NGOs, and other stakeholders. These insights can encourage collaborative efforts and corrective measures to improve the audit effectiveness of the Office of the Sidama Auditor General.

**Contribution to Future Research:** The research will serve as a reference for future studies, providing a foundational understanding for researchers interested in exploring similar or related topics. It also helps to build a shared knowledge base, fostering further academic inquiry in the field of government auditing.

## **1.6 Scope of the study**

This study focuses on identifying and examining the factors influencing government audit effectiveness, specifically how Competency and Advocacy of the Auditor, independence, cooperation from the audited, and the availability of appropriate resources affect the audit performance of the Office of the Sidama Auditor General (OSAG) in Ethiopia. The OSAG, located in Hawassa, conducts external audits of financial accounts and performance audits of regional government entities to ensure accountability, reporting directly to the regional council.

This study adopts a quantitative approach using descriptive and explanatory methods, collecting primary data through structured questionnaires. The study targets the OSAG's 76 auditors directly engaged in audit work. The study will focus on evaluating the effectiveness of government audits conducted by OSAG October 01, 2024 up to December 31, 2024.

## **1.7 Limitation of the study**

Despite the researcher's efforts to obtain objective information, the study may face limitations due to the reliance on respondents' opinions. There is a possibility that respondents may be unwilling to fully cooperate or disclose accurate information due to concerns about potential repercussions. This limitation will be addressed by explaining the study's benefits to respondents,

allowing them to self-administer the questionnaires, and assuring them of the confidentiality and academic purpose of the research.

Resource constraints may also limit the scope of the study to the perspectives of OSAG auditors, excluding insights from audited public sectors, the media, and the legislature. Consequently, the study will have a narrow focus, which may restrict broader generalizations.

## **1.8 Organization of the Study**

This study used structured into five chapters:

Chapter 1 provides the background of the study, the statement of the problem, objectives of the study, hypothesis testing, significance, scope, and limitations of the study. Chapter 2 covers the literature review, offering a comprehensive analysis of relevant theories, concepts, and previous research findings related to government audit effectiveness. Chapter 3 explains the research methodology, including the research design, data collection methods, sampling techniques, and data analysis procedures. Chapter 4 presents the data analysis and interpretation, discussing the results and findings based on the collected data. The final chapter (Chapter 5) includes a summary of findings, conclusions, and recommendations derived from the study, providing actionable insights and suggesting areas for future research.

## CHAPTER TWO

### 2. REVIEW OF RELATED LITERATURE

#### 2.1 Introduction

This section provides a comprehensive review of the existing literature on auditing, focusing on theoretical frameworks establishing a theoretical linkage and the development of a conceptual framework, empirical studies on factors influencing effectiveness, and critical discussions relevant to the effectiveness of government audits and gaps in the literature. Key themes include foundational concepts, objectives, auditor types and distinctions between internal and external auditors, types of government audits.

#### 2.2 Conceptual Review

##### 2.2.1 Basic Concepts of Auditing

Auditing, much like fields such as economics, sociology, and engineering, is built upon foundational concepts that guide standards and procedures. (Hussen & Adane, 2021) These concepts underpin auditing standards benchmarks for quality from which audit procedures derive. Auditing broadly encompasses various types, including financial, compliance, and performance audits. Each type differs based on the relationship between the auditor, the requesting authority, and the audited entity. (Beattie et al., n.d.)

##### 2.2.2 Meaning and Objectives of an Audit

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

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

Auditing is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources are managed responsibly and effectively to achieve

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

### 2.2.3 Types of Auditors

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

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

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

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

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

### 2.2.4 Internal versus External Auditors

Internal auditors and external auditors are both independent of the activities they audit; internal auditors are integral to the organization and provide ongoing monitoring and assessment of all activities. On the contrary, external auditors are independent of the organization, and provide an

annual opinion on the financial statements. The work of the internal and external auditors should be coordinated for optimal effectiveness and efficiency. Providing assurance on accounting and financial controls is part of internal auditor's work. Internal auditing is an activity that covers a broad spectrum of business processes, ensuring the organization is managing its significant risks appropriately. (IIA, 2010)

Pop et al. (2012) described the relationship between internal and external auditors as follows: Similarities: Both internal audit and external audit profession are governed by one set of international standards issued by the professional organism specific for each profession. This set of international standards includes the professional standards and the ethical code; Risk is a very important element the planning process for both internal and external auditors; For both professions, the independence of the auditor is very important; Internal and external audit are both concerned over the internal control system of the organization; Both functions are interested in the cooperation between internal and external auditors; For both functions, the results of their activity are presented through audit reports.

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

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

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

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

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

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

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

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

### **2.2.5 Types of Audits Performed by Government Auditors**

Government auditors perform various audits, including financial, environmental, performance, control, information systems, and fraud audits, as outlined by Proclamation No. 09/2012. Each type serves to ensure accountability, efficiency, and proper resource management. (Ethiopian People Democratic Front, 2017)

### **2.2.6 Code of Ethics for Government Auditors**

The Lima Declaration emphasizes the high ethical standards required of government auditors, including integrity, independence, impartiality, political neutrality, conflict of interest avoidance, professional secrecy, and competence (INTOSAI, 1992). These principles ensure the reliability and credibility of audit functions.

### **2.2.7 Effectiveness of Government Audits**

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

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

The procedural arrangements can be regarded as the tools used by firms and individuals to ensure that audits comply with technical standards, i.e. legal requirements, regulators’ requirements and auditing standards. (Bender, 2006) Dittenhofer (2001) has also observed that if internal audit quality is maintained, it will contribute to the appropriateness of procedures and operations of the auditee, and thereby internal audit contributes to effectiveness of the auditee and the organization as a whole. Effective internal 16 audit undertakes an independent evaluation of financial and operating information, of systems and procedures, to provide useful recommendations for improvements as necessary.(Van Gansberghe, 2005). To achieve effective

audit work, the auditors are required to have full and unrestricted access to all activities, records and properties, and be provided with cooperation from the auditee.

The internal audit function of an organization should be given a sufficiently high status in the organizational structure to enable better communication with senior management and to ensure independence of internal audit from the auditees (Mihret and Yismaw, 2007). Cooperation of the auditee with auditor can make completion of audit easy and effective. Auditors have to follow up auditee to observe either auditee has adopted recommendations made in previous audit or not or Government auditors have proper channel and a system to follow up audit.(Masood and Lodhi,2015). Corruption is inborn characteristic of a system that can be even at personal or professional level, effectiveness of audit is hampered when auditors misuse audit facilities for their personal benefits. So many findings from the research done linked the effectiveness of the internal auditor contribution to effective management and internal control of the public sectors. Government auditors should have full independence to operate without undue pressures.

In this way they can bring accountability and transparency in the public sector. Training is an important factor to upgrade skills of auditors, new audit techniques need to be learnt to make audit effective.(IBID) Staff competency is an important key to the effectiveness of the internal audit activities (Alzeban & Gwilliam 2014).Internal auditors must collectively have the necessary education, professional qualifications, experience and training to be able to add value and improve the organization's operations (Mihret & Woldeyohannis 2008; Ali & Owais 2013).. So many findings from the research done linked the effectiveness of the internal auditors contribution to effective management and internal control of the public sector.

According to Masood and Lodhi (2015),Effective government audits carry significant importance to make government entities accountable for utilization of funds for public welfare. Effective internal audit undertakes an independent evaluation of financial and operating information, of systems and procedures, to provide useful recommendations for improvements as necessary.(Van Gansberghe,2005). 17 Even if various researches were conducted on the current effectiveness of internal auditing in public sectors, Both internal audit and external audit profession are governed by one set of international standards issued by the professional organism specific for each profession.

This set of international standards includes the professional standards and the ethical code; Risk is a very important element the planning process for both internal and external auditors; For both professions, the independence of the auditor is very important; Internal and external audit are both concerned over the internal control system of the organization; Both functions are interested in the cooperation between internal and external auditors; For both functions, the results of their activity are presented through audit reports.(Pop et al.,2012;IIA,2010) An audit is an independent examination of an entity by an auditor, who delivers reports about facts observed to the best of his knowledge. Audit is exercised to hold an organization accountable for their deeds.

Audits are effective if they are strong enough to transparently highlight performance lags of government entities. An audit can be made effective if problems and issues of auditors are resolved. (Masood and Lodhi, 2012;IIA, 2010;Mihret & Yismaw, 2007; Gebremedhin, 2018; Hailemariam, 2014;Dittenhofer ,2001).Since, the definition equally serves both for internal audit and government audit, depending on the above assessed concept the researcher tried to identify four potential factors that expected to affect government audit effectiveness.

Such as: 1. Competency and Advocacy of the Auditor 2.Independency 3. Cooperation from the auditee.4.Resource constraint

## **2.3 Theoretical Framework**

Theoretical frameworks provide a foundation for understanding the dynamics of audit effectiveness. Four predominant theories that explain the role and impact of audits in governance are Agency Theory, Stakeholder Theory, Institutional Theory and Public Sector Governance.

### **2.3.1 Agency Theory**

Agency theory is a relevant framework in understanding auditing, particularly in the public sector. Agency theory first articulated by Jensen and Mackling (Yuliastuti & Tandio, 2020), explains the relationship between principals (e.g., the government or the public) and agents (e.g., managers or public officials). Agency Theory posits that there is an inherent conflict of interest between principals and agents. Auditors act as agents who provide assurance to the principals about the accuracy of financial reporting, thereby mitigating information asymmetry and reducing agency costs. The relevance of agency theory in government auditing is evident as auditors ensure that government officials (agents) act in the best interests of the public

(principals). The theory stresses the need for independent audits to ensure accountability and mitigate risks of principal-agent conflicts.

### **2.3.2 Stakeholder Theory**

Stakeholder Theory broadens the scope of accountability beyond principals and agents, emphasizing the role of various stakeholders, including citizens, in the audit process. (Bender Nicholas Bloom David Card John Van Reenen Stefanie Wolter et al., 2016) asserts that government audits must cater to the needs of multiple stakeholders by providing assurance on the proper use of public funds. This theory highlights the importance of engaging diverse stakeholders to enhance audit effectiveness and ensure public trust. Recent studies, such as those by Adams and Evans (Bogale, n.d.), have further expanded these theories by incorporating technological advancements and their impact on audit practices, illustrating the evolving nature of audit effectiveness frameworks.

### **2.3.3 Institutional Theory**

Institutional theory, as discussed by (Arena & Azzone, n.d.), explores how institutional structures, norms, and rules shape the behavior of organizations. Government auditing practices are shaped by institutional pressures, including legal mandates, professional standards, and societal expectations. This theory helps explain the adoption and implementation of auditing practices in public institutions, driven by the need to conform to legal, social, and professional expectations.

### **2.3.4 Public Sector Governance**

Governance theories, such as those posited by (Political Interference and Local Government Performance in Nigeria: The Moderating Role of Internal Audit Quality, n.d.) and (Hussen & Adane, 2021), offer insights into the mechanisms by which public sector entities ensure accountability, transparency and effectiveness. These theories frame the role of audits as a governance tool that strengthens oversight and public trust. Public sector governance involves processes and structures that guide organizational activities toward achieving objectives Stephen, Kenneth, & Jacques, (Santiso, 2001) Effective governance requires accountability mechanisms such as audits to ensure resource management and reduce corruption risks.

#### **2.3.4.1 Public Audit Institutions**

Supreme Audit Institutions (SAIs) play a critical role in democratic governance by overseeing public administration and promoting accountability Pollitt & Summa (1997). SAIs' independence, granted by law, allows them to audit effectively without external interference, relying on the persuasive power of their findings. (HAILU, 2018) (Balli Advisor & Kassie, 2016)

#### **2.3.4.2 Public Sector Audit**

Public sector audits, as part of a system of checks and balances, are vital for political accountability Power (1997). Effective audits strengthen governance by providing reliable information for stakeholders and ensuring compliance with legal frameworks. (Hailemariam, n.d.)

1. Key Elements of Effective Public Sector Audit: Effective audits require organizational independence, formal mandates, unrestricted access, sufficient funding, competent leadership, adherence to professional standards, and effective communication. (HAILU, 2018).
2. Value of Government Audit: SAIs enhance governance by promoting accountability, transparency, and fraud prevention through timely reporting and collaboration. (HAILU, 2018).
3. Adequate Planning and Supervision: Effective audits involve meticulous planning and supervision. (Bogale, n.d.)
4. Training and Professional Certification: Continuous training and professional certifications ensure auditors remain proficient and adapt to evolving auditing standards. (HAILU, 2018).

### **2.4 Empirical Review**

The effectiveness of government audits is critical for ensuring accountability, transparency, and efficient use of public resources. Numerous studies have explored factors influencing audit effectiveness across different governmental contexts. (Bentsiefi, n.d.) These studies identify key factors influencing audit effectiveness, such as auditor competency, organizational independence, management support, and resource availability. These studies underscore the importance of a robust audit function in enhancing public sector governance. This section

reviews key studies both internationally and within the Ethiopian context, highlighting common findings, and identifying gaps that the current study aims to address.

#### **2.4.1 Factors Affecting Government Audit Effectiveness**

Empirical evidence highlights several factors affecting audit effectiveness, such as:

- **Competency and Advocacy of the Auditor**

Competency and Advocacy of the Auditor is a crucial determinant of the effectiveness of government audits. High-quality audits are characterized by adherence to auditing standards, thoroughness, and accuracy. Hence, ongoing training and adherence to professional standards are critical. (Arena & Azzone, n.d.) (Bentsiefi, n.d.) There must be capacity to achieve effective oversight and accountability in the public sector. The study identified key attributes of Competency and Advocacy of the Auditor, including auditor expertise, diligence, and adherence to professional standards. Focusing on African contexts, found that Competency and Advocacy of the Auditor significantly affects the credibility and utility of audit findings. Their research indicated that improved training and continuous professional development for auditors are essential to enhance Competency and Advocacy of the Auditor. (Alkatiri et al., 2023) surveyed auditors in the public sector, finding that those with higher levels of training and certifications, such as Certified Public Accountants (CPAs), were more effective in identifying and reporting financial irregularities. The study highlights the importance of regular training programs to enhance auditors' skills and knowledge.

In Ethiopia, the Competency and Advocacy of the Auditor has been identified as a key factor influencing the effectiveness of government auditing. (Bentsiefi, n.d.) A Study on the effectiveness of internal audit in public sector institutions in Ethiopia they found that Competency and Advocacy of the Auditor is significantly affected by the auditors' competence and adherence to established auditing standards. The study emphasized the need for continuous professional development and training to enhance audit quality. A study by (Dewi et al., 2019) explored the role of Competency in Ethiopian public sector audits, finding that a lack of rigorous auditing standards and insufficient training for auditors led to lower audit quality. The study recommended the adoption of international auditing standards and the enhancement of auditor training programs to improve audit outcomes. A study by (“Factors Influencing External Auditors’ Independence of Private Audit Firms in Ethiopia,” 2021) on the effectiveness of performance audits in Ethiopia highlighted that high audit quality is crucial for ensuring

accountability and transparency in government operations. The study identified gaps in audit methodologies and called for the adoption of best practices to enhance audit quality. (What Is an Effective Audit and How Can You Tell?, n.d.) a study on the impact of auditor training in the Oromia Regional State, finding that ongoing professional development significantly improves audit quality. However, the study also noted that training programs are often infrequent and not tailored to the specific needs of auditors in different regions.

#### ▪ **Independence**

The independence of audit institutions is a frequent theme in studies on audit effectiveness. Auditor independence is fundamental for ensuring unbiased and objective audit outcomes. Independence allows auditors to perform their duties without undue influence from audits or other stakeholders. External pressures, such as political influence, must be minimized to maintain objectivity (AFROSAI-E, 2013).

(Othman and Zaman, 2020) explored how political interference often compromise the independence of audit institutions, thereby affecting their effectiveness. The study also highlighted cases where strong managerial support led to better compliance with audit recommendations and improved financial management. In a comparative study of audit institutions in Kenya and Ghana, (Owusu and Frimpong, 2021) found that the independence of audit offices significantly affects their effectiveness. Both countries showed improvements in public financial management when audits were conducted independently without political interference. (Beattie et al., n.d.); (Ali et al., 2021) highlighted the critical role of auditor independence in maintaining the integrity of the audit process. Their study demonstrated that perceived and actual independence are both essential for fostering public trust in audit findings. (Deyganto, n.d.); (Dewi et al., 2019) a study on auditor independence in public sector audits found that threats to independence, such as management pressure and financial dependence, undermine audit effectiveness. The authors recommended stronger regulatory frameworks to safeguard auditor independence.

In the Ethiopian context, (Bogale, n.d.); (Jemaneh Deribe & Getachew Regasa, 2014) identified independence as a critical factor affecting the effectiveness of internal audits. Their study suggested that structural independence from management is necessary to enhance the credibility of audit reports. (Hailemariam, n.d.) explored the impact of political interference on the Federal Audit Office's operations. Their findings indicated that political influence undermines the

independence of audit institutions, leading to compromised audit outcomes. The study emphasized the need for stronger legal frameworks to safeguard audit independence. (Mary', 2021) & (Mihret & Admassu, 2011) examined the challenges to auditor independence in Ethiopian public sector audits. They identified management interference and lack of autonomy as major barriers to independence, which negatively impact audit effectiveness. They recommended stronger legal and institutional frameworks to safeguard auditor independence. ("Factors Influencing External Auditors' Independence of Private Audit Firms in Ethiopia," 2021) explored the factors affecting auditor independence in Ethiopian public institutions. The study found that financial dependence on the audited entities and political pressures were significant threats to independence. The author recommended increasing financial and operational autonomy for audit institutions to mitigate these threats.

- **Cooperation from audits**

Effective audits require co-operation from audited entities. Resistance or delays can hinder the audit process and reduce effectiveness. (Deyganto, n.d.) Cooperation from audits is widely acknowledged as a critical factor influencing the effectiveness of government audits. Studies in various countries have highlighted the importance of this cooperation in ensuring successful audit outcomes.

(Leng et al., 2022) in their study on the effectiveness of performance audits in the public sector found that cooperation from audits significantly enhances the ability of auditors to gather necessary information and conduct thorough evaluations. The researchers noted that when audits are cooperative, the likelihood of implementing audit recommendations increases, leading to improved public sector performance. (Leng et al., 2022) examined the role of audited cooperation in Australia. They identified that transparent communication and willingness to engage with auditors are essential. They found that cooperation leads to a more accurate representation of financial and operational data, which is crucial for effective auditing. (Turetken et al., 2020) in their study on internal audit effectiveness, stressed the importance of audited cooperation in ensuring the quality and reliability of audit findings. They observed that organizations with higher levels of cooperation from management and staff achieved better audit outcomes and higher compliance levels.

The effectiveness of government audits has been a subject of empirical investigation, with several studies examining the role of audited cooperation in Ethiopia. (Hailemariam, n.d.) Explored factors affecting audit effectiveness in Ethiopian public institutions. The study found that audited cooperation is a significant determinant of audit success. The study emphasized that resistance from audits often stems from a lack of understanding of the audit process and its benefits, which can hinder effective auditing. (Mary', 2021) an investigation into the challenges faced by auditors in Ethiopia revealed that limited cooperation from audits is a major obstacle. The study recommended enhanced training and awareness programs for audits to foster a more cooperative environment and improve audit outcomes. In another study (Zarefar & Rasuli, 2016) analyzed the impact of stakeholder engagement on audit effectiveness in Ethiopian public enterprises. The researchers concluded that proactive engagement and cooperation from audits contribute to more comprehensive audit findings and facilitate the implementation of recommendations. (Zarefar & Rasuli, 2016)

- **Resource Availability**

Sufficient financial, human, and technological resources are necessary for conducting thorough and timely audits. Resource constraints can significantly impair audit outcomes. (Pakpahan et al., n.d.) In a study by (Turetken et al., 2020), it was found that resource constraints significantly limit the scope and depth of audits, particularly in developing regions. The study revealed that audit institutions often lack the necessary tools, technology, and manpower to conduct comprehensive audits, leading to incomplete or delayed audit reports.

Resource constraints are a significant challenge for audit institutions in Ethiopia. (Nigusse Birhanu et al., 2021) explored the role of resource availability in public sector audits. He found that many Ethiopian public sector audit institutions operate with limited financial and human resources, which hampers their ability to conduct thorough and timely audits. The study called for increased investment in audit institutions to enhance their capacity and effectiveness. (Temesgen, 2018) examined the resource limitations faced by regional audit offices, highlighting issues such as insufficient budget allocations, inadequate staffing, and lack of modern auditing tools. The study found that these constraints severely limit the scope and quality of audits, leading to delayed and incomplete audit reports. The research by (Kebede Menza, 2019) highlighted the impact of resource availability on audit effectiveness in Ethiopian public

enterprises. They found that limited access to modern auditing tools and technologies, coupled with insufficient staffing, reduced the quality and scope of audits. The study recommended allocating more resources to audit institutions to improve their operational efficiency. (ABERA, 2020) investigated the role of resource availability in the performance of government audits in Ethiopia. The study concluded that adequate funding, skilled personnel, and access to technology are essential for conducting effective audits. Bekele emphasized the need for strategic resource allocation and capacity building to enhance audit effectiveness. (Lema et al., 2024) examined the use of information technology in the Addis Ababa City Administration's audit processes, revealing that limited access to modern audit tools and data analytics capabilities hampers audit effectiveness. The study called for increased investment in technology to improve audit efficiency.

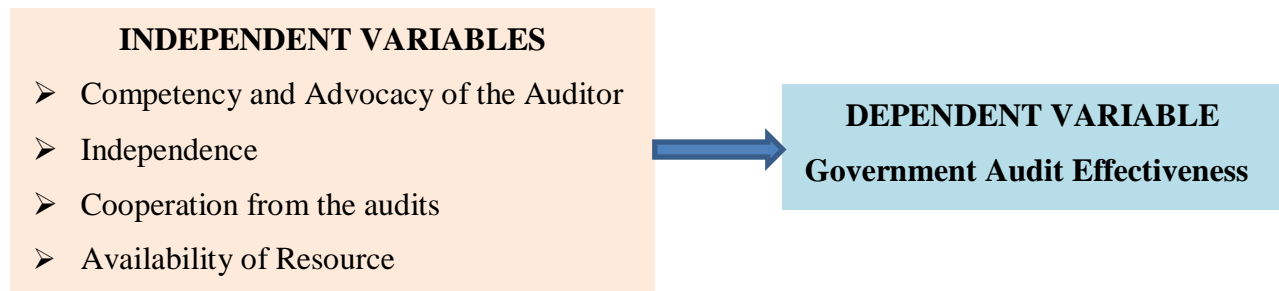
#### 2.4.2 Conceptual Framework

The conceptual framework for this study is grounded in agency theory and public sector governance principles. The framework posits that effective government audits are influenced by several factors, including:

1. **Competency and Advocacy of the Auditor:** High-competency audits depend on skilled auditors, comprehensive methodologies, adherence to ethical standards and robust quality control systems.
2. **Independence:** Ensuring Organizational and operational independence of auditors is crucial for unbiased reporting.
3. **Cooperation from audits:** Effective audits require cooperation from audits, providing timely access to necessary information. Cooperation and support from stakeholders (e.g., government agencies, the public) are essential for implementing audit recommendations.
4. **Availability Resources:** Availability of financial, human, and technological resources is essential for effective audits.

This study adapts the following conceptual framework to examine the factors that influence the effectiveness of government audits. The framework outlines **government audit effectiveness** as the dependent variable, with **Competency and Advocacy of the Auditor, independence, cooperation from the audited,** and **resource constraints** as the independent variables.

**Figure 1:** Conceptual Framework for Government Audit Effectiveness



*Source: Adapted from (Masood & Lodhi (2015); Beyashe (2008))*

This framework illustrates the interplay between various factors that contribute to the effectiveness of government audits, ultimately enhancing transparency, accountability, and public trust.

## 2.5 Gaps in Literature and Conclusion

The reviewed literature highlights key theoretical and empirical insights into auditing practices and effectiveness. Agency, stakeholder, and institutional theories provide a foundation for understanding the role of audits in public sector governance. The conceptual framework developed provides a structured approach to examining the factors influencing government audit effectiveness, serving as a foundation for further empirical investigation. Empirical studies underscore the importance of Competency and Advocacy of the Auditor, independence, audit cooperation, and resource availability in influencing audit effectiveness. Despite extensive research on internal and external auditing, there remains a gap in studies focusing on government audit practices in specific contexts, particularly in the areas of region-specific solutions and the practical implementation of best practices. This review sets the stage for further research into enhancing government audit effectiveness, particularly in the context of Ethiopia's public sector. This study aims to address these gaps by providing a comprehensive analysis of the factors influencing audit effectiveness in the Sidama Regional State Audit General Office, with a focus on practical solutions and policy recommendations.

## **CHAPTER THREE**

### **3. RESEARCH DESIGN AND METHODOLOGY**

#### **3.1. Research Approach**

This study adopts a quantitative research approach. The quantitative approach uses statistical methods to describe patterns of behavior and generalize findings from samples to populations. It is particularly suitable for identifying factors influencing outcomes and determining the best predictors of those outcomes. (Jemaneh Deribe & Getachew Regasa, 2014)

#### **3.2. Research Design**

The study applied quantitative approach to describe and evaluate the factors influencing Effectiveness of audit General Office in the case of Sidama Regional state (OSAG). This type of the research was a descriptive type research includes survey questionnaires. The major purpose to use this research type is in order to explain the variables used in this research. Thus, in order to achieve the objectives stated, considering the research problem, to support or reject the hypotheses and the research prospective, this study mainly employed quantitative approach.

Researchers who adopt a more deductive approach use theory to guide the design of the study and the interpretation of the results. Quantitative techniques as an attempt to test a hypothesis by incorporating it into the research design and responding to it by measuring its strength and weaknesses that give numerical measurements to the data collected. Quantitative research is one in which the investigator primarily uses positivist claims for developing knowledge and its strategies of inquiries are associated with experimental and survey research methods. (Robert K.Yin, 1994) However, the applications of this approach enable the researcher to obtain adequate, relevant and reliable data to the issue under study. After the necessary data have been collected, edited and coded, the preparation and summary was made using the Statistical Package for Social Sciences (SPSS) version 26. The data was then be presented by using statistical tools in the form of tables, explanatory narrations, and frequency distribution, percentage, mean and standard deviations Related issues will be used in analyzing the data in a descriptive type of analysis..

### 3.3. Target Population and Sampling

The Office of the Sidama Auditor General (OSAG) has one main office in Hawassa. The organization has 122 employees, comprising 46 supportive staff members and 76 auditors actively engaged in field audit work. Structured questionnaires were used to gather data from these government auditors.

### 3.4. Sample Size

The sample size for this study was determined using the (Balli Advisor & Kassie, 2016) Krejcie and Morgan formula, which is more appropriate when dealing with finite populations. This formula is particularly suitable determining sample sizes for small populations and is given as:

**Sample Size Formula:** 
$$n = \frac{N \times X^2 \times P(1-P)}{e^2 \times (N-1) + X^2 \times P(1-P)}$$

Where:  $n$  = required sample size,  $Z$  = Z-value (1.96 for 95% confidence level),  $E$  = margin of error (0.05),  $N$  = population size (76 auditors),  $X^2$  = Chi-square value for 1 df at the desired confidence level (3.841 for 95% confidence level),  $P$  = estimated proportion of an attribute that is present in the population (commonly 0.5 for maximum variability), and  $e$  = margin of error (0.05).

$$n = \frac{76 \times 3.841 \times 0.5(1-0.5)}{0.05^2 \times (76-1) + 3.841 \times 0.5(1-0.5)} = 63.59 \approx \mathbf{64}$$

Thus, questionnaires were randomly distributed to 64 auditors, representing approximately 84.21% of the target population.

### 3.5. Sampling Technique

The study employed a two-stage sampling approach. Initially, purposive sampling was used to select 76 auditors from the Office of the Sidama Auditor General (OSAG) based on their relevance and involvement in the auditing processes. In the second stage, simple random sampling was utilized to select 64 auditors from the 76 identified, ensuring each auditor had an equal chance of being included in the study. This method increases the representativeness of the sample and ensures that the selected participants are directly relevant to the study's objectives.

### **3.6. Data Source and Data Collection Instrument**

Primary data was collected from auditors at OSAG through structured questionnaires. The questionnaire items for factors influencing government audit effectiveness were adapted from previous research. (Masood & Afzal, 2016); (Hailemariam, n.d.) & (“Factors Influencing External Auditors’ Independence of Private Audit Firms in Ethiopia,” 2021). The questionnaire consisted of two sections:

- **Section A:** Demographic information of respondents.
- **Section B:** Factors influencing government audit effectiveness.

The questionnaire was designed in a five-point Likert scale, ranging from "strongly disagree" to "strongly agree" Likert (1932). They were distributed using the “drop and pick” method, allowing respondents sufficient time to complete them without disrupting their routines. Anonymity was ensured by assigning unique identifiers to each questionnaire.

In addition to primary data, professional articles, auditing standards, accounting principles, and ethical guidelines were consulted to support the analysis. The dependent variable (government audit effectiveness) and the independent variables (Competency and Advocacy of the Auditor, independence, cooperation from audits, and resource availability) were selected based on prior studies. (Masood & Afzal, 2016); (ABERA, 2020).

### **3.7. Pre-Testing (Validity and Reliability)**

The questionnaire was pre-tested with 10 respondents who were not included in the actual study. According to (Cooper & Schindler, Pamela, 2014), pilot testing helps detect weaknesses in design and instrumentation, ensuring clarity and objectivity. This process enabled the researcher to refine the questionnaire for better accuracy and efficiency, with each respondent taking approximately 15 minutes to complete.

### **3.8. Method of Data Analysis and Interpretation**

The data was analyzed using Statistical Package for the Social Sciences (SPSS) Version 26. Descriptive statistics, regression analyses and hypothesis tests were employed to evaluate the data. The study utilized multiple linear regression models to determine the effect of independent variables on the dependent variable.

### 3.9. Conceptual Model for Multiple Regression Analysis

Multiple regression estimates the coefficients ( $\beta$ ) in the equation:

$$y = \alpha + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \varepsilon \text{ ----- (1)}$$

The following regression model was used to perform data analysis

$$\mathbf{GAE} = \alpha + \beta_1\mathbf{CAA} + \beta_2\mathbf{IND} + \beta_3\mathbf{CFA} + \beta_4\mathbf{REC} + \varepsilon \text{ ----- (2)}$$

Where:

- *GAE* (“Government Audit Effectiveness”) is the dependent variable.
- $\beta_1$ - $\beta_4$  are the coefficients, which capture the effect of marginal changes in each independent variable on the effectiveness of government auditors.
- *CAA* (“Competency and Advocacy of the Auditor”), *IND* (“Independence”), *CFA* (“Cooperation from audits”), and *REC* (“Resources Constraint”) are the independent variables.
- $\alpha$  represents the constant when all independent variables are zero.
- $\varepsilon$  represents the error term.

#### 3.9.1. Assumptions of the Regression Model

1. **Homoscedasticity/Heteroscedasticity:** Homoscedasticity assumes that the variance of errors is constant across all levels of the independent variables. Heteroscedasticity refers to the situation where the variance of the errors (residuals) is not constant across all levels of the independent variables. When heteroscedasticity is present, the reliability of the regression coefficients and statistical tests is compromised. A random scatter of points, with no clear pattern indicates Homoscedasticity. A funnel shaped scatterplot (the spread of residuals increases or decreases with predicted values) indicates heteroscedasticity.
2. **No Autocorrelation:** assumes that the residuals should be independent of each other. A Durbin-Watson Statistic value close to 2 indicates that the residuals are independent.
3. **Normality:** assumes that the residuals (errors) of the regression are normally distributed.
4. **No Multicollinearity:** Independent variables are not highly correlated with each other. VIF values greater than 10 (or tolerance less than 0.1) suggest multicollinearity.
5. **Linearity:** assumes that the relationship between the independent and dependent variables is linear.

## CHAPTER FOUR

### 4. RESULTS AND DISCUSSION

#### 4.1. Introduction

This chapter deals with data results and discussion of key findings in line with the objective of this study set in Chapter one. The general objective of this study is to identify and analyze the factors influencing effectiveness of audit general Offices in the case of Sidama regional state (OSAG). The results included both descriptive and inferential quantitative analysis from SPSS output. The descriptive analysis focuses on demographic and professional profile of respondents, key variables dependent variable (government audit effectiveness (GAE)), and independent variables (Competency and Advocacy of the Auditor (CAA), Independence (IND), Cooperation from audits (CFA), and Resource Availability (REC)). The inferential statistics focuses on Multiple Linear Regression and Hypothesis Testing to understand factors influencing government audit effectiveness (GAE). The reliability analysis and the assumption test results of regression are also reported.

#### 4.2. Descriptive Analysis

##### 4.2.1. Response Rate

The questionnaires were distributed to government auditors in the Office of the Sidama Auditor General (OSAG). A total of 64 questionnaires were distributed to sample respondents and 62 (96.9%) were returned. This shows good response rate for government auditors. High response rates minimize the risk associated with response bias.

##### 4.2.2. Descriptive statistics of Respondents' Profile

The following frequency table shows the demographic and professional profiles of respondents alongside the key variables: Sex, Age, Field, Level, Position, and Service.

The table below clearly shows a significantly higher number of males with a frequency of 75.8% compared to females at 24.2%, suggesting a gender disparity in the organization. This could affect the study's findings on audit effectiveness, considering the potential influence of gender dynamics in professional settings. Besides, most respondents (54.8%) are within the 30-39 age groups, indicating a relatively young workforce. This demographic can be crucial as younger

professionals may bring fresh perspectives but may also face experience-related challenges in audit practices.

**Table 1:** Demographics and Professional Profiles of respondents

		Frequency	Percent	Cumulative Percent
<b>SEX</b>	<i>Male</i>	47	75.8	75.8
	<i>Female</i>	15	24.2	100
	<b>Total</b>	<b>62</b>	<b>100</b>	
<b>AGE</b>	<i>20-29</i>	13	21	21
	<i>30-39</i>	34	54.8	75.8
	<i>40-49</i>	15	24.2	100
	<b>Total</b>	<b>62</b>	<b>100</b>	
<b>FIELD</b>	<i>Accounting</i>	34	54.8	54.8
	<i>Management</i>	15	24.2	79
	<i>Economics</i>	10	16.1	95.2
	<i>Others</i>	3	4.8	100
	<b>Total</b>	<b>62</b>	<b>100</b>	
<b>LEVEL</b>	<i>Masters</i>	21	33.9	33.9
	<i>Bachelor</i>	39	62.9	96.8
	<i>Diploma</i>	2	3.2	100
	<b>Total</b>	<b>62</b>	<b>100</b>	
<b>POSITION</b>	<i>Audit Director</i>	6	9.7	9.7
	<i>Audit Team Leader</i>	6	9.7	19.4
	<i>Auditor</i>	50	80.6	100
	<b>Total</b>	<b>62</b>	<b>100</b>	
<b>SERVICE</b>	<i>0-5</i>	10	16.1	16.1
	<i>6 - 10</i>	19	30.6	46.8
	<i>11 - 15</i>	24	38.7	85.5
	<i>Above 15</i>	9	14.5	100
	<b>Total</b>	<b>62</b>	<b>100</b>	

*Source: Output from own survey data (2024)*

Concerning field of study, the above table shows that more than half of respondents studied the primary field Accounting (54.8%), with a decreasing distribution across Economics and Management, which aligns well with the requirements of auditing tasks. The spread across different fields might influence the diversity of approaches and solutions within the audit process. Moreover, majority of respondents have advanced education (Master’s Degree and University Degree), this indicates a well-educated workforce, which is expected to positively influence audit quality and effectiveness.

Looking at Position and Service Years of respondents, the table shows that most respondents hold the position of ‘auditor’ (80.6%) with varying years of service which is concentrated between 11–15 years (38.7%), indicating most respondents have a medium service level. This distribution provides insights into the organizational structure and the experience levels of those directly involved in auditing. These demographics suggest the sample represents experienced professionals, which enhances the reliability of their responses on audit-related issues.

### 4.2.3. Descriptive statistics of Key Variables

The mean is a measure of central tendency that indicates the average score of responses for each item. It helps identify the general agreement or perception of respondents regarding a specific statement. Higher means closer to 5 suggest stronger agreement with the statement, while lower means closer to 1 indicate disagreement. The standard deviation (Std.) measures the variability or spread of responses. A smaller standard deviation indicates that responses are closer to the mean, reflecting a consensus among respondents. A larger standard deviation suggests diverse opinions or varying perceptions. The Likert-scale data for key variables Competency and Advocacy of the Auditor, Independence, Cooperation and Resource indicate generally positive perceptions, as evidenced by mean values closer to 4 on the scale.

**Table 2:** Descriptive Statistics of Government Audit Effectiveness (GAE) Items

Statement	N	Mean	Std. Deviation
Government audit ensure that it adds value to the /auditee/ audited Organization.	62	3.44	1.5
Government auditors can effectively identify and report any non-compliance activities with the government policies, procedures and Process.	62	3.77	1.22
Government Auditors provide useful recommendations and constructive criticisms on non-compliances activities or control systems in the auditee	62	3.79	1.381
The noncompliance reports provided by government auditors are reliable and significant to the audited organization.	62	3.76	1.224
The government auditors have confidence to issue audit report because they are proficient to determine the nature and frequency of non-compliance	62	3.73	1.473
The number of criticisms (doubts) about the government auditors’ finding (report) is very low because their report is correct and reasonable.	62	3.47	1.411
Government audit ensures the economical, effective and efficient use of resources in the audited entity.	62	3.85	1.304
The recommendations of government audit division provide practical, cost-benefit solutions for correcting the problems that were found.	62	3.73	1.148
Government auditors have the experience and expertise to address corporate	62	3.76	1.302

risk management problems within the audited.			
The government auditors' reports are highly considered for decision making and internal controls by the management of the audited	62	3.87	1.194
Government audit improve divisions' performance of the audited.	62	3.6	1.348
Government audit improves organizational performance of the audited entity.	62	4.0	1.228

*Source: Output from own survey data (2024)*

As detailed in the table above:

Mixed responses suggest moderate agreement, but high variability indicates some areas need improvement. Positive perception with some variability suggesting room for enhancing detection mechanisms. Agreement that recommendations are practical but variability shows inconsistency in their applicability generally reliable but the variability suggests room for improvement in ensuring uniformity. Moderate agreement, with high SD indicating variability in auditors' confidence levels. Indicates moderate confidence in the correctness of reports, with notable variability suggesting the need for more precision. Respondents generally agree audits promote efficient use of resources, but some see room for improvement. General agreement, but some respondents see inconsistencies in the practicality of recommendations. Positive perception of auditors' ability to handle risk, though variability highlights room for improvement in risk management. High agreement that reports are valuable for decision-making with relatively consistent responses. Moderate agreement, suggesting audits positively impact division performance, but responses vary significantly. Audit is a relatively consistent response that contributes to organizational improvements.

In general, the mean and standard deviation of Government Audit Effectiveness indicators, such as Audit recommendations ( $\mu = 3.79$ ) and non-compliance reports ( $\mu = 3.77$ ) are generally seen as useful and reliable. Audit reports are valued for decision-making ( $\mu = 3.87$ ) and improving organizational performance ( $\mu = 4.00$ ). Audits ensure efficient resource use ( $\mu = 3.85$ ) and contribute to risk management ( $\mu = 3.76$ ). However, adding value to organizations received the lowest mean score ( $\mu = 3.44$ ), indicating that this aspect needs significant improvement. Moreover, variability in responses of audit correctness ( $SD = 1.41$ ) and auditor confidence ( $SD = 1.47$ ) suggests the need for improved precision and confidence-building measures. The results align with previous findings such as (Jemaneh Deribe & Getachew Regasa, 2014) that audits are

effective tools for improving governance and decision-making when adequately resourced and implemented.

**Table 3: Descriptive Statistics of Competency and Advocacy of the Auditor (CAA) Items**

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The audit organization has a program to ensure that its staff maintains professional proficiency through continuing education or long term training.	62	3.89	1.088
There is continuous short term training program in the organization in order to upgrade skills of auditors.	62	4.08	0.929
The training had been given by qualified trainers.	62	4.16	0.995
The training had been given on technologies and regulations related to the audit profession and depending on skill gap.	62	4.08	0.98
The organization invests consistently in improving the audit work and development of Auditing.	62	4.06	1.114
There is a mechanism in the organization to ensure that each audit is conducted by team who collectively has the knowledge and skills necessary for that audit.	62	4.00	1.024

*Source: Output from own survey data (2024)*

As detailed in the table above

Respondents generally agree, but the high SD shows varying perceptions about the consistency of professional development. Indicates positive perception of short-term training programs with relatively consistent views. Strong agreement on trainer quality, indicating well-structured training initiatives. Perception is positive, but slight variation indicates room for improved coverage of advanced tools and rules. Reflects a general agreement that the organization prioritizes audit enhancements though variability suggests some inconsistencies. Respondents agree overall, but there is variability in opinions about team competence across audits. Overall, the above table shows that audit quality is rated positively, with strong agreement on the relevance and effectiveness of training programs and the qualifications of trainers. However, there is some variability in perceptions regarding organizational investment and team

competence, suggesting room for improvement in consistency. These findings align with previous studies (Birhanu, 2016)

**Table 4:** Descriptive Statistics of Independence (IND) Items

Statement	N	Mean	Std. Deviation
Auditors are free from intervention in performing their duties or have full operational independence.	62	4.19	0.989
Auditors have full financial independence or not having a financial interest in the client to full fill the audit work Effectively.	62	4.05	0.858
Auditors can include in their reports any fault, fraud, Wrongdoing and mistake without influence from any one.	62	4.11	0.994
Auditors are sufficiently independent in mental attitude to perform their professional obligations and duties or no external and internal pressures.	62	4.19	0.92
Audit findings reported on directions of political pressures and personal interest of top management.	62	3.97	1.04

*Source: Output from own survey data (2024)*

As detailed in the table above

Strong agreement indicates operational independence is respected, with consistent responses. Perception is positive but slightly lower compared to operational independence, indicating some potential constraints. High mean shows agreement, though variability indicates some instances of influence. Strong consensus that auditors uphold professional integrity the mean is slightly lower, suggesting occasional challenges from political or managerial interference.

Respondents strongly agree that operational and mental independence is upheld, allowing auditors to perform their duties without interference. However, financial independence and freedom from political pressures show slightly lower ratings, indicating occasional challenges in maintaining complete independence. This supports (Beyashe's, 2008) insights on the significance of autonomy that operational and financial independence, as well as freedom from political pressure, ensure the integrity of audit findings.

**Table 5:** Descriptive Statistics of Cooperation from Auditors (CFA) Items

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The auditors have willingness to be audited.	62	4.29	0.948
There is Cooperation and positive relation among auditors and audited in order to complete the audit work effectively.	62	4.19	0.884
The auditors have positive attitude towards government audit.	62	4.34	0.745
There is enough access to record, an appropriate documentation and other information in the audited.	62	4.39	0.776
Enough, sufficient and real interpretation is given by the audited on time to the audit finding before exit.	62	4.26	0.745
The auditor's management always gives attention for resolving audit findings and recommendations, within a given time.	62	4.34	0.788

*Source: Output from own survey data (2024)*

As detailed in the table above

High mean and relatively low SD indicates that most auditors are cooperative. Cooperation is strong, with consistent positive engagement between auditors and auditors. Very high agreement shows a supportive environment for audits. Auditors are seen as reliable in providing the necessary documentation, with consistent responses. High mean reflects good collaboration in addressing audit findings. Respondents believe management takes audit recommendations seriously and acts promptly. Indicators of audited cooperation had high ratings for willingness, access to records, and management's attention to resolving findings. The positive attitude of audits toward audits further enhances collaboration, ensuring smooth audit processes. High levels of cooperation, timely access to records, and positive attitudes were vital in achieving effective audits, consistent with (Masood and Lodhi, 2015).

**Table 6:** Descriptive Statistics of Resource Availability (REC) Items

<b>Statement</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Auditors have enough technological resource like laptops and flash disk to perform the audit work effectively.	62	3.95	0.999
Auditors obtain enough access to records and to any information regarding to the audit.	62	4.24	0.918
The Audit department obtains a sufficient budget to successfully carry out the audit work.	62	4.08	0.963
The audit department is large enough to successfully carry out their duties.	62	4.13	0.983
Auditors possess sufficient experience to understand the organizations systems to undertake the audit.	62	4.26	0.886
There is a complete audit manual and internet facilities to guide audit work.	62	4.06	0.973
Auditors are assigned with sufficient time in proportion to size of the auditee to conduct audit effectively.	62	4.34	0.94

*Source: Output from own survey data (2024)*

As detailed in the table above

Respondents agree that technological tools are available, but variability suggests occasional gaps. High mean reflects adequate access to records and information needed for audits. Respondents generally agree, though some feel budget constraints exist. Positive perception indicates staffing is generally adequate to conduct audits. High mean indicates confidence in auditors' experience and understanding. Reflects positive perceptions of guidelines and technological infrastructure, though some variability exists High mean suggests audits are conducted with adequate time, ensuring thoroughness.

The above table shows that respondents perceive resources as generally adequate, especially in terms of access to records, auditor experience, and sufficient time allocation for audits. However, technological resources and budget allocations show slightly lower ratings, suggesting areas where improvements could improve audit effectiveness. The findings indicate that Sidama

Regional Office performs better in resource availability aligning with global best practices. However, occasional gaps in technological tools, budget sufficiency, and infrastructure reflect challenges reported in previous studies (Mihret & Yismaw, 2007; Gebremeskel, 2020 and Mengesha, 2022). These results emphasize the importance of investing in resources to sustain and further enhance audit effectiveness.

### 4.3. Inferential Analysis

The inferential statistics, particularly the regression analysis, aim to understand the relationships between independent variables (CAA, IND, CFA, REC) and the dependent variable (GAE).

#### 4.3.1. Reliability Analysis

The reliability coefficient (Cronbach's alpha) for all variables combined is  $\alpha = 0.782$ , indicating good internal consistency among the survey items related to GAE, CAA, IND, CFA, and REC. This suggests the reliability of the scale is acceptable and ensures the questionnaire items reliably measure the intended constructs (Field, 2009; Cohen and Sayag, 2010).

#### 4.3.2. Regression Assumption Tests

The model was validated through tests for heteroscedasticity, Linearity, autocorrelation, normality, and multicollinearity to ensure compliance with the basic assumptions of multiple regression analysis.

**See APPENDICES B.**

- 1. Heteroscedasticity/Homoscedasticity:** A scatterplot of standardized residuals versus standardized predicted values showed no clear pattern, indicating homoscedasticity. Homoscedasticity ensures consistent variance of residuals across all levels of the independent variables, supporting the validity of the regression model.
- 2. Multicollinearity:** Variance Inflation Factor (VIF) values ranged between 2.125 and 2.738, well below the threshold of 10, indicating no multicollinearity issues. Tolerance values above 0.1 further confirmed the absence of multicollinearity among independent variables.
- 3. Linearity:** Partial regression plots demonstrated linear relationships between each independent variable and the dependent variable. This confirms that the assumption of linearity for multiple regression analysis is satisfied.

4. **Normality:** The Normal P-P Plot of standardized residuals showed points closely following the diagonal line, indicating that residuals are approximately normally distributed. A histogram of residuals further supported the normality assumption in the regression model, with a bell-shaped distribution.
5. **Autocorrelation:** The Durbin-Watson statistic was 2.148, within the acceptable range of 1.5 to 2.5, indicating no autocorrelation in the residuals. This ensures that residuals are independent, supporting the reliability of the regression results. This confirms the assumptions of linear regression, which ensures the reliable interpretations of the results.

### 4.3.3. Regression Analysis

The regression model examines the impact of the independent variables (CAA, IND, CFA, and REC) on the dependent variable (GAE).

**Table 7:** Regression Model Summary

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.955a	0.911	0.905	0.12591	2.148

a. Predictors: (Constant), M\_CFA, M\_IND, M\_REC, M\_CAA

b. Dependent Variable: M\_GAE

*Source: Output from own survey data (2024)*

The Model Summary shows that  $R^2 = 0.911$ , this high value implies that approximately 91.1% of the variance in GAE is explained by the independent variables or predictors (CAA, IND, CFA, REC). The Adjusted  $R^2 = 0.905$ , slightly lower than R-squared, which confirms the model's goodness-of-fit. It shows model stability even after adjusting for the number of predictors.

Table 8: ANOVA Table

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.273	4	2.318	146.24	.000 <sup>b</sup>
	Residual	0.904	57	0.016		
	Total	10.176	61			

a. Dependent Variable: M\_GAE

b. Predictors: (Constant), M\_CFA, M\_IND, M\_REC, M\_CAA

*Source: Output from own survey data (2024)*

The ANOVA table shows that F-statistic is significant ( $F = 146.235$ ,  $p < 0.001$ ), which confirms that the overall model is statistically significant, suggesting that the combined effect of the independent variables on GAE is not due to random chance and that the independent variables collectively predict the dependent variable well.

**Table 9: Regression Coefficients**

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.848	0.257		-7.203	.000		
	M_CAA	0.349	0.057	0.390	6.135	.000	0.386	2.592
	M_IND	0.260	0.050	0.299	5.190	.000	0.471	2.125
	M_REC	0.383	0.060	0.376	6.332	.000	0.441	2.265
	M_CFA	0.351	0.073	0.313	4.793	.000	0.365	2.738

a. Dependent Variable: M\_GAE

*Source: Output from own survey data (2024)*

The Coefficients table shows that all independent variables significantly influence GAE ( $p < 0.05$ ). With a positive and significant beta ( $\beta = 0.390$ ,  $t = 6.135$ ,  $p < 0.001$ ), this indicates that higher Competency and Advocacy of the Auditor significantly improves GAE. The significant contribution aligns with studies emphasizing continuous professional development, proper audit methodologies, and adherence to standards as pivotal for effective audits. Training programs, professional development, and investments in auditing capabilities have improved government audit effectiveness (Desta, A., 2017; Tefera, T., 2021; DeAngelo, L. E., 1981; Francis, J. R., 2004). A positive impact ( $\beta = 0.299$ ,  $t = 5.190$ ,  $p < 0.001$ ) suggests the critical role of independence in enhancing audit effectiveness. The positive impact supports the notion that auditors must operate free from undue influence, resonating with global findings (Gebremeskel, K., 2020; Al-Ajmi, J., 2009; Solomon, I., Shields, M. D., & Whittington, O. R., 1999).

The coefficient table also shows a positive and significant effect ( $\beta = 0.313$ ,  $t = 4.793$ ,  $p < 0.001$ ), indicating that cooperative audits facilitate effective audits by providing timely and accurate information. Cooperation facilitates smoother audits. Similar findings were reported in Ethiopia, where resistance from public offices hindered audit effectiveness (Tadesse, M., 2018) and Farooq, M. B., & de Villiers, C., 2019). The most significant positive impact ( $\beta = 0.376$ ,  $t = 6.332$ ,  $p < 0.001$ ) reflects the necessity of adequate resources. This includes technology, budget, and time allocation, essential for comprehensive audit procedures. Resource constraints, such as budget, time, and technology, have been widely cited as barriers to effective audits in developing countries, mirroring findings from other countries (Mengesha, G., 2022; Mihret, D. G., & Yismaw, A. W., 2007; Osei-Tutu, J., Badu, E., & Owusu-Manu, D., 2010; Hay, D., Knechel, W. R., & Wong, N., 2006). This suggests each factor contributes positively to audit effectiveness, with Audit Quality and Resource Availability being slightly more impactful. The study demonstrates that addressing all four factors collectively leads to significant improvements in government audit outcomes.

#### 4.3.4. Hypothesis Testing

**H1:** *Competency and advocacy of the Auditors is positively related to the effectiveness of government audits in the Office of the Sidama Auditor General.*

The findings of Regression analysis revealed a significant positive relationship between Competency and advocacy of the Auditors and government audit effectiveness ( $\beta = 0.390$ ,  $p <$

0.001). Descriptive statistics indicated mean scores for Competency and advocacy of the Auditors items ranging from 3.89 to 4.16, suggesting positive perceptions of Competency and advocacy of the Auditors among respondents. Key areas contributing to Competency and advocacy of the Auditors include continuing education, short-term training, and the use of qualified trainers.

Hence, high Competency and advocacy of the Auditors enhances auditors' ability to identify non-compliance and offer practical recommendations. Training programs focusing on modern technologies and regulations empower auditors to tackle contemporary challenges. Investments in professional development bolster the accuracy and credibility of audit findings. These results align with prior studies, such as (Biranu, 2008), which emphasize the significance of professional standards and training in improving audit outcomes.

***H2:** Auditor Independence is positively related to the effectiveness of government audits in the Office of the Sidama Auditor.*

The findings revealed that Auditor independence was positively and significantly associated with government audit effectiveness ( $\beta = 0.299$ ,  $p < 0.001$ ). Mean scores for independence-related indicators ranged from 4.05 to 4.19, indicating strong agreement among respondents on the independence of auditors. Key elements of independence included are Freedom from external interventions, financial independence to avoid conflicts of interest and unrestricted reporting of faults, frauds, and non-compliance.

This indicates that Independence ensures objective and unbiased reporting, essential for addressing issues such as fraud and policy non-compliance. Operational autonomy enables auditors to perform their duties without undue influence. Financial independence safeguards the integrity of audit reports. These findings agree with (Beyashe, 2008), who highlighted the critical role of autonomy in audit effectiveness. Minor concerns over political influence (mean = 3.97) underscore the need for further reinforcement of independence safeguards.

***H3:** Cooperation from Auditees is positively related to the effectiveness of government audits in the Office of the Sidama Auditor.*

The results shown that Cooperation from audits had a significant positive impact on audit effectiveness ( $\beta = 0.313$ ,  $p < 0.001$ ). Mean scores for cooperation items were the highest among

all factors, ranging from 4.19 to 4.39. Respondents highlighted Strong willingness among audits to be audited, Positive attitudes and relationships between auditors and audits and Timely access to records and explanations.

This implies that Effective collaboration between auditors and audits facilitates comprehensive and accurate audits. Transparency in providing necessary documentation and explanations improves audit reliability. These findings align with (Masood and Lodhi, 2015), emphasizing mutual trust as a cornerstone of audit success. High cooperation scores reflect a strong culture of collaboration within the Office of the Sidama Auditor General.

***H4: The Availability of Appropriate Resources is positively related to the effectiveness of government audits in the Office of the Sidama Auditor.***

According to the findings Resource availability showed a strong positive relationship with audit effectiveness ( $\beta = 0.376$ ,  $p < 0.001$ ). Mean scores for resource-related items ranged from 3.95 to 4.34, indicating general adequacy, with some room for improvement. Respondents agreed on Adequacy of technological resources, such as laptops and internet access, sufficient time allocations for conducting audits and Concerns regarding budget sufficiency.

This indicates that adequate resources enable auditors to conduct thorough and efficient audits. Proper time allocation allows for comprehensive examination of audits, ensuring accuracy. Budget constraints, although not critical, could limit the scope of audits and should be addressed to enhance overall effectiveness. These findings support (Beyashe, 2008), who highlighted the importance of resource availability in achieving audit objectives.

#### **4.4. Summary of Findings**

In summary, the above detailed descriptive analysis revealed the following:

1. Competency and advocacy of the Auditors (CAA): Overall, Competency and advocacy of the Auditors is rated positively, with strong agreement on the relevance and effectiveness of training programs and the qualifications of trainers. However, there is some variability in perceptions regarding organizational investment and team competence, suggesting room for improvement in consistency.
2. Independence (IND): Respondents strongly agree that operational and mental independence is upheld, allowing auditors to perform their duties without interference.

Financial independence and freedom from political pressures show slightly lower ratings, indicating occasional challenges in maintaining complete independence.

3. Cooperation from Auditees (CFA): Auditee cooperation is a significant strength, with high ratings for willingness, access to records, and management's attention to resolving findings. The positive attitude of auditees toward audits further enhances collaboration, ensuring smooth audit processes.
4. Resource Availability (REC): Respondents perceive resources as generally adequate, especially in terms of access to records, auditor experience, and sufficient time allocation for audits. Technological resources and budget allocations show slightly lower ratings, suggesting areas where improvements could optimize audit effectiveness.
5. Government Audit Effectiveness (GAE): Government audit effectiveness is moderately rated, with areas like identifying non-compliance and ensuring resource efficiency scoring positively. Variability in responses indicates that factors like adding value to organizations and auditor confidence need improvement to enhance overall audit effectiveness.

The inferential analysis confirms that all four factors: Competency and advocacy of the Auditors, Auditor Independence, Cooperation from audits, and Resource Availability were found to have significant positive relationships with government audit effectiveness in the Office of the Sidama Auditor General. The high explanatory power ( $R^2 = 0.905$ ) highlights the combined importance of these variables in explaining 90.5% of the variance in audit effectiveness. To further improve effectiveness, focused improvements in budget allocations and independence safeguards are recommended.

## 5. CONCLUSION AND RECOMMENDATIONS

### 5.1. Conclusion

The descriptive analysis of this study highlights the demographic and professional characteristics of the respondents, revealing a young, experienced, and well-educated workforce that aligns with the requirements of the auditing profession. However, the analysis also indicates a notable gender disparity. The mean scores and standard deviation results for the variables indicate strengths in several areas: cooperation from audits, particularly in providing access to records and management responsiveness; auditor independence, both operational and mental; and auditor experience and time allocation for audits. However, challenges were identified in the following areas: building auditor confidence while ensuring consistent value addition through audits, variability in perceptions of organizational investment in Competency and advocacy of the Auditors technology and budgetary resources, and maintaining financial independence and resisting external pressures.

The inferential analysis, particularly the regression model, confirms that the predictors Competency and advocacy of the Auditors (CAA), Independence (IND), Co-operation from audits (CFA), and Resource Availability (REC) significantly explain the variation in Government Audit Effectiveness (GAE) in Sidama Regional State Audit General Office, with all predictors positively and significantly influencing the dependent variable. The reliability and model fit are strong, supporting the validity of the findings. Addressing these factors collectively enhances the value, reliability, and efficiency of audits in the public sector. The high explanatory power ( $R^2 = 0.905$ ) indicates the critical role of these variables in achieving audit objectives. While the overall results are positive, attention to budgetary constraints and political independence is necessary for further improvement. These findings are integral to formulating strategies for improving audit effectiveness, directly contributing to better governance, accountability, and resource management in the public sector. The analysis supports the theoretical foundations, particularly Agency Theory and public sector governance principles, emphasizing mechanisms to mitigate principal-agent problems through effective auditing practices.

## 5.2. Recommendations

Based on the findings of this study, the researcher provides the following recommendations to the Office of Sidama Auditor General, the audited (any public sectors), Sidama Regional Council and BoFEC.

- Enhance Training and Professional Development through expanding both short-term and long-term training programs for auditors, focusing on emerging technologies, methodologies and updated regulations. Engage qualified trainers to ensure high-quality learning outcomes.
- Strengthen Auditor Independence through implementing policies to minimize political and managerial influence on audit processes. Ensure financial independence by allocating adequate and untied funds to the audit department.
- Promote Cooperation with audits by building awareness among public officials regarding the benefits of audits to encourage transparency and cooperation. It is also important to foster transparent and positive relationships between auditors and audits through regular communication. Developing guidelines to ensure timely access to records and explanations during audits is essential.
- Address Resource Constraints by allocating adequate resources, including modern audit tools and a sufficient budget to invest in advanced technological tools to enable comprehensive audits and enhance audit efficiency. Ensuring sufficient time is allocated for each audit is also very important.

By addressing these recommendations, the Office of the Sidama Auditor General can further enhance the effectiveness of its audits, ensuring better accountability and governance.

## 5.3. Future Research Directions

- Future studies could focus on conducting similar research by undertaking a qualitative study and including various stakeholders or larger samples from different parts of the country to confirm the generalizability of the findings. They could also focus on examining the role of other factors such as organizational culture in influencing audit effectiveness or conduct longitudinal study to investigate the long-term impact of audit recommendations on organizational performance.

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

Dear respondent,

The Objective of These Questionnaires is To Gather Actual Information That Will Help to Assess the *Factors Influencing Effectiveness of Audit general Office: In The Case Of Sidama Regional State*.

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

Your honest and thoughtful response is invaluable

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



## SECTION B. GOVERNMENT AUDIT EFFECTIVENESS

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

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

No	Government Audit Effectiveness	Scaling				
	Statement	5	4	3	2	1
1	Government audit ensure that it adds value to the /audited/ audited Organization.					
2	Government auditors can effectively identify and report any non-compliance activities with the government policies, procedures and Process.					
3	Government Auditors provide useful recommendations and constructive criticisms on non-compliances activities or control systems in the audited					
4	The noncompliance reports provided by government auditors are reliable and significant to the audited organization.					
5	The government auditors have confidence to issue audit report because they are proficient to determine the nature and frequency of non-compliance					
6	The number of criticisms (doubts) about the government auditors' finding (report) is very low because their report is correct and reasonable.					
7	Government audit ensures the economical, effective and efficient use of resources in the audited entity.					
8	The recommendations of government audit division provide practical, cost-benefit solutions for correcting the problems					

	that were found.					
9	Government auditors have the experience and expertise to address corporate risk management problems within the auditee.					
10	The government auditors' reports are highly considered for decision making and internal controls by the management of the auditee					
11	Government audit improve divisions' performance of the auditee.					
12	Government audit improves organizational performance of the audited entity.					

## SECTION C. FACTORS INFULANCING GOVERNMENT AUDIT EFFECTIVENESS

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

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

	interest of top management.					
<b>No</b>	<b>Cooperation From the Auditee</b>	<b>Scaling</b>				
	<b>Statement</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
12	The auditees have willingness to be audited.					
13	There is Cooperation and positive relation among auditors and auditee in order to complete the audit work effectively.					
14	The auditees have positive attitude towards government audit.					
15	There is enough access to record, an appropriate documentation and other information in the auditee.					
16	Enough, sufficient and real interpretation is given by the auditee on time to the audit finding before exit.					
17	The auditee's management always give attention for resolving audit findings and recommendations, within a given time.					
<b>No</b>	<b>Resource Constraint</b>	<b>Scaling</b>				
	<b>Statement</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
18	Auditors have enough technological resource like laptops and flash disk to perform the audit work effectively.					
19	Auditors obtain enough access to records and to any information regarding to the audit.					
20	The Audit department obtains a sufficient budget to successfully carry out the audit work.					
21	The audit department is large enough to successfully carry out their duties.					
22	Auditors possess sufficient experience to understand the organizations systems to undertake the audit.					
23	There is a complete audit manual and internet facilities to guide audit work.					
24	Auditors are assigned with sufficient time in proportion to size of the auditee to conduct audit effectively.					

## APPENDICES B: Regression Assumption Test Results

### Notes

Output Created		14-JAN-2025 10:30:00
Comments		
Input	Active Dataset	DataSet2
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	62
	Matrix Input	
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics are based on all cases with valid data for all variables in the procedure.
Syntax		RELIABILITY /VARIABLES=M_GAE M_AUG M_IND M_CFA M_REC /SCALE("ALL VARIABLES") ALL /MODEL=ALPHA.
Resources	Processor Time	00:00:00.02
	Elapsed Time	00:00:00.02

[DataSet]

### Scale: ALL VARIABLES

#### Case Processing Summary

		N	%
Cases	Valid	62	100.0
	Excluded <sup>a</sup>	0	.0
	Total	62	100.0

a. Listwise deletion based on all variables in the procedure.

#### Reliability Statistics

Cronbach's Alpha	N of Items
.782	5

## Regression

[DataSet] C:\Users\Desktop\TIBEBU T\TIBEBU DATASET.sav

Variables Entered/Removed<sup>a</sup>

Model	Variables Entered	Variables Removed	Method
1	M_CFA, M_IND, M_REC, M_AUQ <sup>b</sup>	.	Enter

a. Dependent Variable: M\_GAE

b. All requested variables entered.

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.955 <sup>a</sup>	.911	.905	.12591	2.148

a. Predictors: (Constant), M\_CFA, M\_IND, M\_REC, M\_AUQ

b. Dependent Variable: M\_GAE

ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.273	4	2.318	146.235	.000 <sup>b</sup>
	Residual	.904	57	.016		
	Total	10.176	61			

a. Dependent Variable: M\_GAE

b. Predictors: (Constant), M\_CFA, M\_IND, M\_REC, M\_AUQ

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.848	.257		-7.203	.000		
	M_AUQ	.349	.057	.390	6.135	.000	.386	2.592
	M_IND	.260	.050	.299	5.190	.000	.471	2.125
	M_REC	.383	.060	.376	6.332	.000	.441	2.265
	M_CFA	.351	.073	.313	4.793	.000	.365	2.738

a. Dependent Variable: M\_GAE

### Collinearity Diagnostics<sup>a</sup>

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	M_AUQ	M_IND	M_REC	M_CFA
1	1	4.974	1.000	.00	.00	.00	.00	.00
	2	.017	16.885	.00	.08	.16	.02	.02
	3	.004	33.478	.53	.17	.00	.19	.01
	4	.003	42.282	.01	.36	.59	.67	.04
	5	.002	56.043	.46	.39	.24	.12	.92

a. Dependent Variable: M\_GAE

### Residuals Statistics<sup>a</sup>

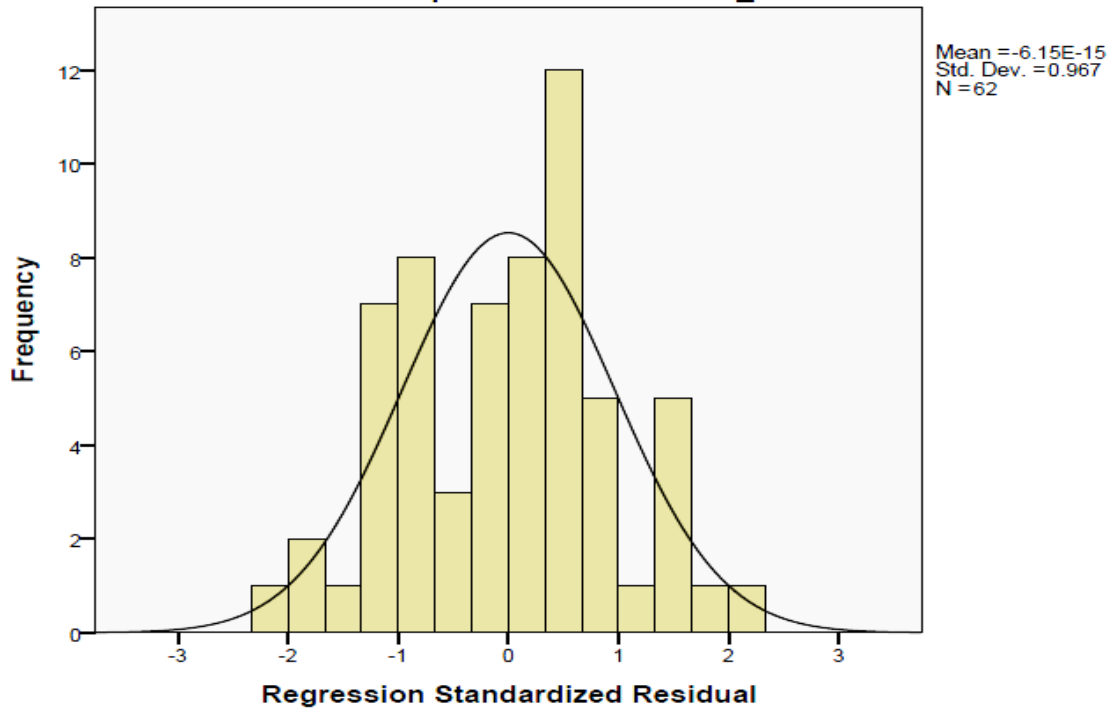
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.6859	4.6391	3.7298	.38988	62
Residual	-.27420	.26162	.00000	.12171	62
Std. Predicted Value	-2.678	2.332	.000	1.000	62
Std. Residual	-2.178	2.078	.000	.967	62

a. Dependent Variable: M\_GAE

## Charts

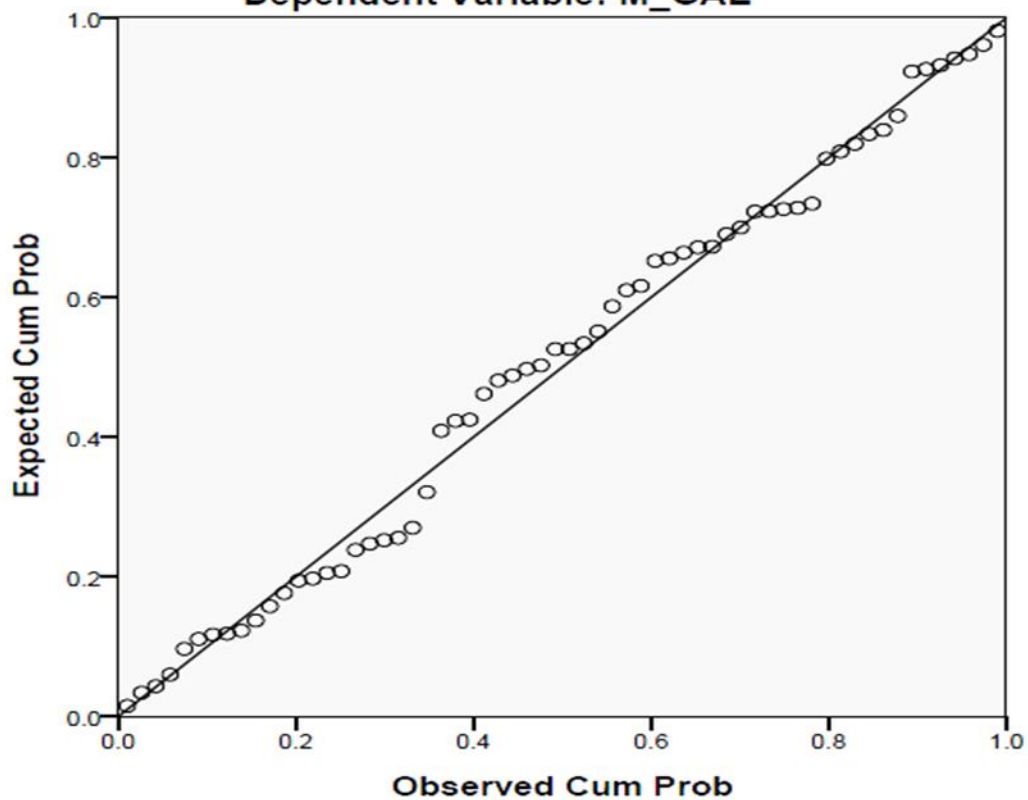
### Histogram

Dependent Variable: M\_GAE



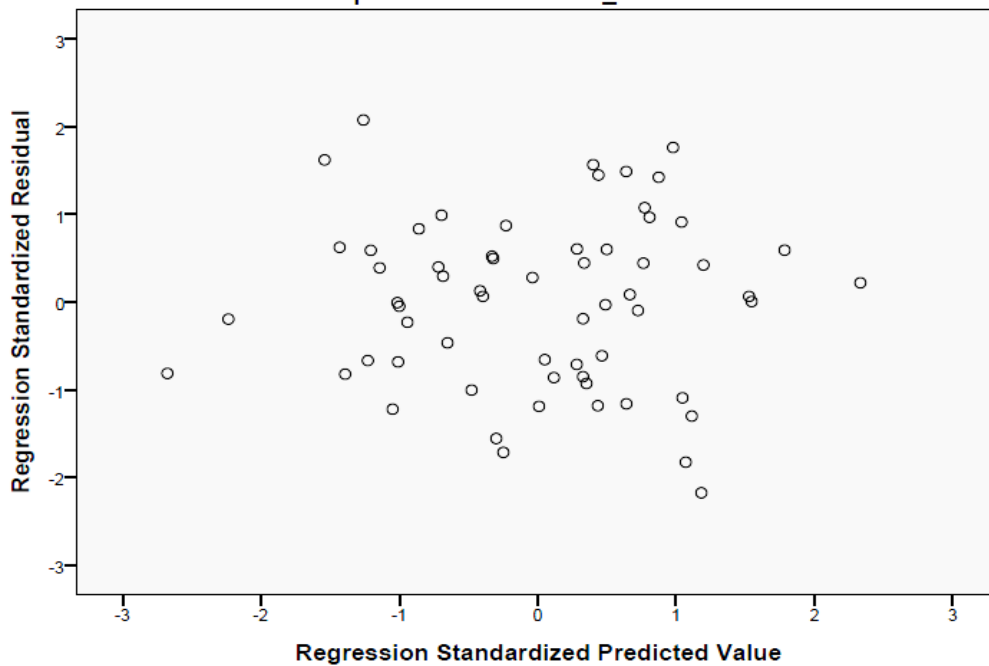
### Normal P-P Plot of Regression Standardized Residual

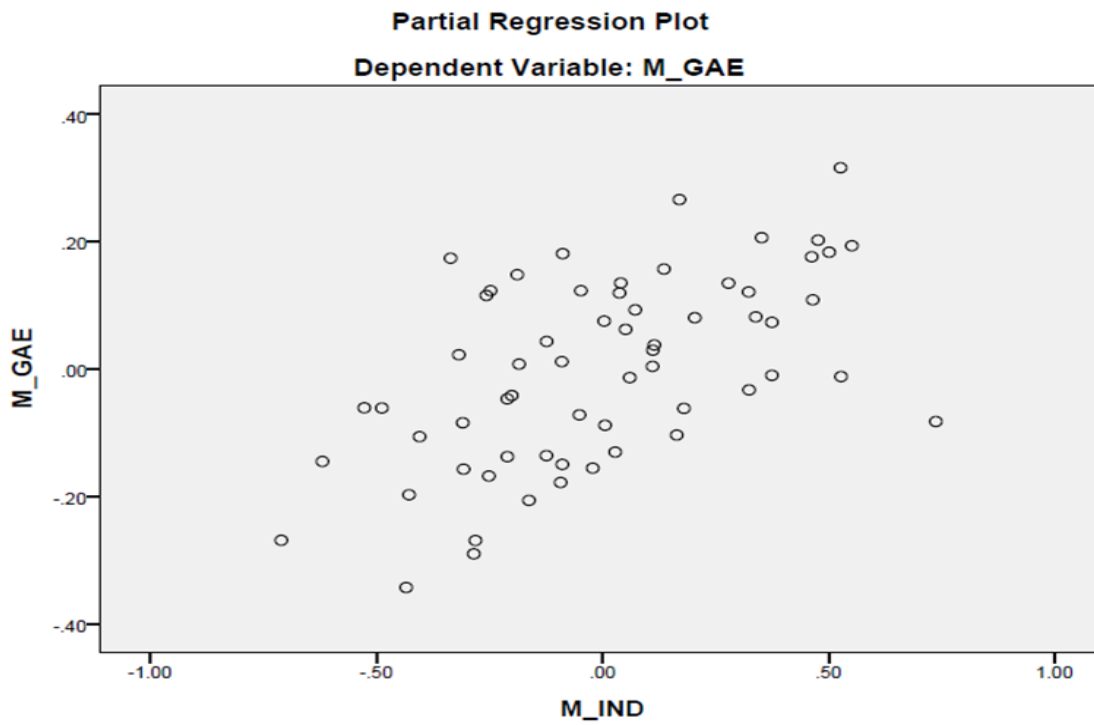
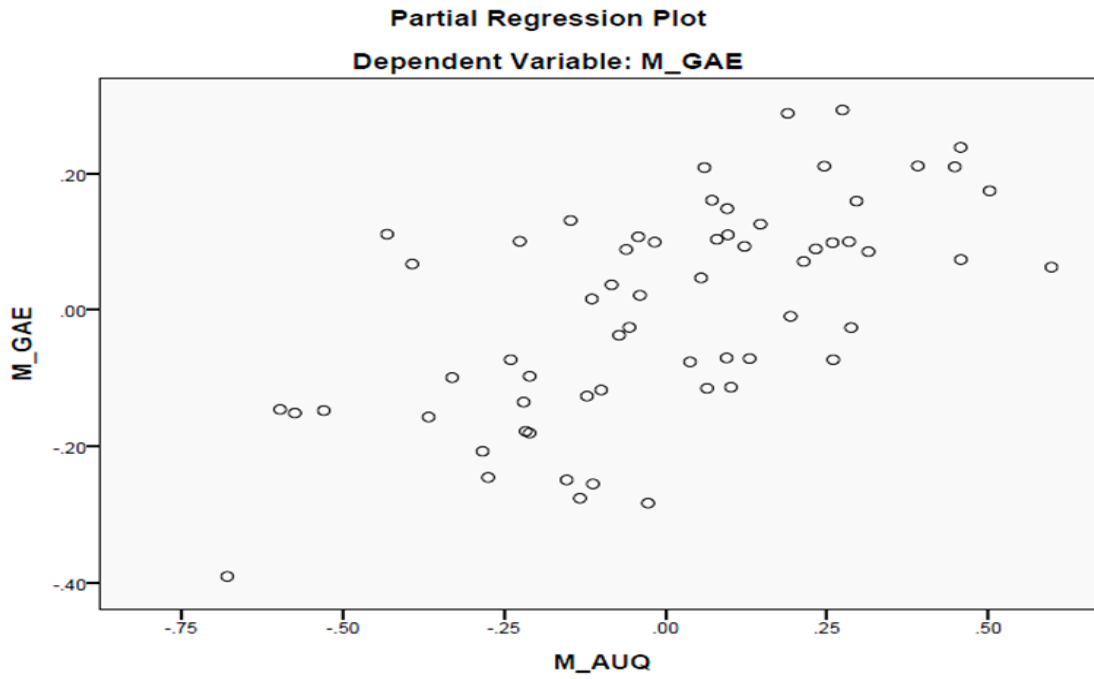
Dependent Variable: M\_GAE



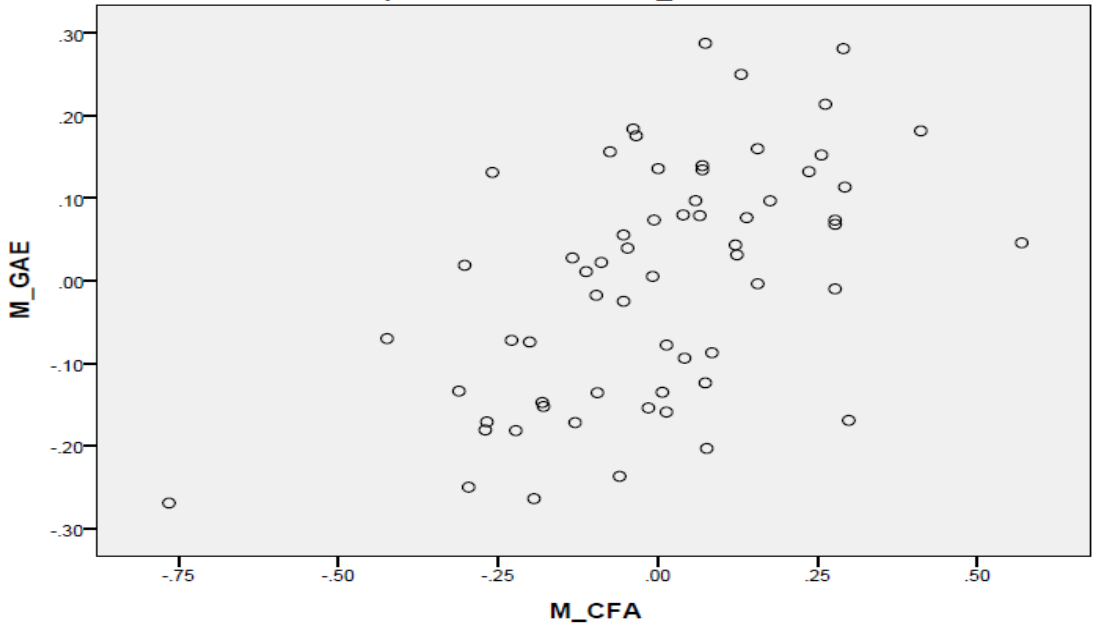
### Scatterplot

Dependent Variable: M\_GAE





**Partial Regression Plot**  
**Dependent Variable: M\_GAE**



**Partial Regression Plot**  
**Dependent Variable: M\_GAE**

