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## Assessment of Implementation of Audit Recommendations in Public Sectors in Oromia Regional Government Public Institutions (2003-2006 E.C.)

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### **Abstract:**

*This study was about assessing the implementation of audit recommendations and factors impeding the implementation of audit recommendations in Oromia regional government public institutions. The study employed primary and secondary data achieved through questionnaires, interviews and the study of documentary materials obtained from various resources. Cluster and purposive sampling techniques were used to select respondents from the study population.*

*The study revealed that implementation of audit recommendations in public institutions of the region is inadequate or unsatisfactory. It concludes that there is misappropriation of cash by the organizations as the misused cash by embezzlers are not fully returned to government treasury. The study also reveals that factors hampering implementation of audit recommendation include: absence of reporting system about implementation of audit recommendations, lack of accountability, lack of follow up actions, less concern of leaders to oversee the implementation of the recommendations, absence of implementation plan of the recommendations, and lack of reasonable time frame for implementing the recommendations.*

*The remedies the study recommends to this situation include: taking punitive action against fraudster, planning and determining the time frame in which to implement external audit recommendations, developing implementation progress report system, undertaking follow up actions, and the government to commensurate responsibility of leaders with accountability for proper implementation of audit recommendations in public sectors of the region.*

**Keywords:** Audit recommendations, implementation

## **1. Introduction**

### *1.1. Background of the Study*

The issues of transparency, integrity and improvement of government service delivery increase the need for governance and accountability. Some scholars have argued that auditing has contributed to promoting the implementation of accountability in the public sector. Brooks and Parisher (1995: 72-83) claimed that public sector auditing is the key element in examining and evaluating government accountability in using public money and providing services to the public. Predengast (2003: 951) believed that the ability of bureaucracies to allocate public goods leads to a high level of inefficiency in the public sector. Public sector auditing can be an essential element in ensuring efficiency, effectiveness and accountability of the government to the public (Barrett 2000: 67).

The auditors' evaluation on public organizations is today not just about the assessment of the accounts; it also includes evaluation guided by the fact review which is more oriented towards performance factors (Lundin and Riberdahl, 1999). The auditors are the ones that make judgments and give feedback according to the performance of the organization (Burrowes and Persson, 2000). When the government finds performance indicators that may be measured, this can be used to check on the level of action the councils of the municipalities have taken to try and reach the financial goals. When attempting to measure the performance, it is not as simple as investigating whether customers are satisfied (in the public sector's customers are the same as local residents). Auditors in public organizations also look at how efficient, effective and adaptable Councils have been against the budget. This is where the budget will serve as a performance measure in the public sector (Dittenhofer, 2001). Arens, Elder, and Beasley (2012) defined auditing as 'the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria.

According to Bovens (2005: 196-199), supreme audit institutions as external auditors of public sector have roles and functions in external administrative and financial supervision that are closely related to administrative accountability. He (2007: 100) also underlined that most of administrative accountability deals with a form of diagonal accountability which helps parliament control but not as a part of the direct chain of Parliament and government as principal and agent. Audit institutions report their findings on financial accountability and performances of auditees to their stakeholders. Moreover, Day and Klein (1987: 10-12) underlined political accountability as the function of Parliament in reviewing the government agencies to hold them to account for their actions.

Therefore, there is no doubt that auditing in the public sector significantly affect assurance of government's accountability in managing and using public funds and other public resources for providing better benefits and services for the public.

### 1.1.1. Audit for Effectiveness and Efficiency in Public Administration

In line with the political demands for greater accountability in providing better services to the public and efficiency in managing public resources, public sector auditing became a necessity for the public sector in recent decades (Power 2003: 191). Efficiency in using public funds and resources reduces the resources needed to provide public goods and services, while effectiveness provides a certain result (outputs, outcomes, impacts and benefits) on the quality of goods and services provided by the government. By preventing the waste of public money, fraud and misappropriation expenditure, the government can allocate funds for a greater number and quality of public goods and services. As argued by Devas (1989: 271), external auditing can ensure all government's income is collected, accounted for and properly used. Moreover, efficiency can provide lower costs of goods and services that influences tariff setting by the government, which is important for a country to be able to compete internationally (McIntosh 1997: 123-129). Funnel and Cooper (1998: 283) argued that effective public sector auditing can significantly improve public sector performance.

One of the big problems in managing public sector funds and resources is the possibility of misuse, fraud and corruption. Bertsk (2000: 61) argued that the role of auditing for uncovering and investigating fraud and corruption has been recognized in many countries. Raman and Wilson (1994:517-38) added that auditing can contribute specifically to controlling and ensuring compliance with laws and regulations that prevent threats to society, including the practices of money laundering, fraud and corruption.

Therefore, effective public sector auditing can provide greater efficiency and effectiveness in public administration by examining the public sector agencies in preventing and reducing waste, abuse, fraud and corruption. This can improve the performance of public administration and public goods and services for the benefit of the public.

### 1.1.2. Auditing for Good Governance

Public auditing that holds for a transparency, accountability, efficiency, effectiveness, openness, preventing of corruption and excess expenditure, can promise good governance (Shimomura 2003: 167). This is also supported by Curtin and Dekker (2005: 36-37) who emphasized the principles of accountability, transparency, effectiveness and participation in public administration. They agreed that providing government accounting system and public sector auditing can provide accountability of public sector agencies which lead to good governance. Moreover, Barret (1996:137-146) argued that the audit institution is a part of the governance framework that influences the economic and social development.

Public sector offices are part of the public body which are partly or wholly financed by government budget and concerned with providing basic government services to the whole society (Ministry of Finance and Economic Development, 2004). The compositions of the public sectors are varied by their function and purposes, but in most cases, they are designed in order to enable the public sectors to achieve their goals.

The public sector provide services such as banking service, financing, education, communication service, healthcare, police, transportation, electric services, security and so on, which benefit all of the society and encourage equal opportunity to benefit from the services (Mihret and Yismaw, 2007, cited in Shewamene Hailemariam, 2014).

The Ethiopian ministry of finance first issued the audit directive in 1942, focused mainly on the public sector utilization of funds, and marked on the modernization of audit practice in the country. Following this, the Office of the Auditor General (O.A.G) was formulated in 1961 with the necessary modifications with respect to the duties and responsibilities of the bureaus and the auditors; and from 1987 and onwards there have been significant developments in public sector auditing systems in the country.

Office of Oromia Regional State Auditor General which was established by proclamation number 90/1997 and reestablished by proclamation number 154/2002 has been playing an important role towards stimulating improvements in the administration and management practices of public sector organizations. Recommendations made by Office of Auditor General auditors to auditees highlight actions that are expected to improve entity performance when implemented and generally address risks to the successful delivery of outcomes. The appropriate and timely implementation of recommendations that has been agreed by auditee's management is an important part of realizing the full benefit of audit. Therefore, this study tried to assess the implementation of audit recommendations and factors hindering the implementation of audit recommendations in Oromia regional government public institutions.

### *1.2. Statement of the Problem*

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

Proclamation to reestablish the office of Oromia Regional State Auditor General, proclamation number 154/2002(2) states that one of the powers and functions of Office of the Auditor General is to monitor and follow up that the principles of auditing are applied and report the performance thereof to the concerned organ "Hojii irra oolmaa yaada odiiitii ni hordofa, raawwii isaa qaama dhimmi ilaaluuf ni gabaasa". In order to derive the intended benefit, audit recommendations should be effectively implemented in a timely manner.

Gendron et.al. (2007: 110, cited in Septiana Dwiputrianti, 2011) underlined the essential nature of auditor's expertise in issuing recommendations and constructing performance guidance measurements to improve the management of government. Wilkins (1995: 429, cited in Septiana Dwiputrianti, 2011) also pointed out that the improvement in public sector accountability can be achieved through audit results and recommendations. This means that public sector audits can be effective if auditees put audit recommendations into action for better government performance and resource management, which will improve economy, efficiency and effectiveness.

Research conducted on role and effectiveness of internal audit in public sectors in general and on the implementation of audit recommendations in public sectors in the region in particular so far, is very rare. On top of that the client organization (Oromia Auditor General Office) is much concerned about whether its auditees are serious about implementations of the audit recommendations. Based on these facts this research was conducted to assess the implementation of audit recommendations and factors impeding the implementation of audit recommendations.

### 1.3. Objectives of the Study

The overall objective of this research was to assess the implementation of Auditor General's audit recommendations in Oromia regional government public institutions.

Specific objectives of the study are

1. To assess whether public institutions are appropriately implementing Auditor General's audit recommendations
2. To identify whether due attention is given to vulnerable areas as subjected to rent seeking as recommended by auditors
3. To identify factors impeding the implementation of audit recommendations
4. To make recommendations (based on the findings of research) to the government, auditees, Auditor General Office, and other concerned body on the possible course of action to be taken to improve the implementation of audit recommendations in the region.

### 1.4. Research Questions

Early in this chapter it was pointed out that this study aims to assess the implementation of audit recommendations in Oromia Regional National Government public institutions from 2003 -2006 E.C. In relation to the study objectives identified earlier in section 1.3, the study tries to answer the following research questions:

1. Are public institutions in the region implementing audit recommendations appropriately?
2. Do the public institutions in the region give due attention to vulnerable areas subjected to rent seeking?
3. What are the key factors impeding the implementation of audit recommendations?

### 1.5. Significance of the Study

The following potential significances are expected from the study:

- The study might be used by Auditor General of Oromia and other government organizations as a resource to enforce the implementation of audit recommendations.
- It may bring light to the practical factors hindering the implementation of audit recommendation in the public institutions of the region.
- It is hoped that this research may improve understanding of other researchers, professionals, and relevant regulatory and oversight bodies regarding public sector auditing and implementation of audit recommendations.

### 1.6. Scope of the Study

The study is delimited to implementation of audit recommendation and factors that affect the implementation in Oromia Regional National Government public sector institutions. On the other hand, the study only took the period of 2003-2006 E.C. budget years into consideration.

### 1.7. Limitations of the Study

The researchers feel that study may have limitation in that it did carry out investigation on the quality of audit recommendations made by the client organization. The purposive selection of only five sectors as sample may have restricted some important data.

## 2. Review of Related Literatures

### 2.1. Introduction

This chapter presents the conceptual and theoretical basis for the study. A literature search undertaken has involved reviewing of relevant published and unpublished materials from various sources including internet, audit manuals, books and journals on the subject under study as well as annual reports of Auditor General of Oromia from 2003-2006 E.C. budget year.

### 2.2. The Concept of Auditing

Various scholars have offered many definitions and explanations as to what *auditing* really means. Cyasi (2001), defined *auditing* as the independent examination and investigation of the evidence from which a financial statement has been prepared with a view of enabling the independent examiner to report on whether his own opinion according to the information and explanation obtained by him, the statement is properly drawn up and give a true and fair view of that which is supposed to show and if not to report in what respect he is not satisfied.

From this definition it can be deduced that auditing is the process of accessing the financial statement of an organization to which the person undertaking the task is not a member with the aim of ensuring that these financial statement were truly prepared from actual records of financial transaction.

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

"*Audit* is an independent, objective assessment of the fairness of management's representations on performance or the assessment of management's systems and practices, against criteria, reported to a governing body or others with similar responsibilities." (Canadian Comprehensive Audit Foundation, 1991.)

According to Ray (2003), *auditing* is concerned with the verification of accounting data, with determining the accuracy and reliability of accounting statements and reports.

Howard (2000) also defined *auditing* as "an examination of accounting records undertaken with a view to establishing whether they correctly and completely reflect the transactions to which they relate. In some instances, it may be necessary to ascertain whether the transactions themselves are supported by authority.

### 2.3. Auditing in the Public Sector

Auditing is an important element of the public organizations management because of the public control that grows bigger and bigger as municipalities are getting more and more responsibility (Shlomo and Idit, 2007). Government auditing is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources are responsibly and effectively managed to achieve intended results, auditors help government organizations achieve accountability and integrity, improve operations, and instill confidence among citizens and stakeholders. The government auditor's role supports the governance responsibilities of oversight, insight, and foresight. *Oversight* addresses whether government entities are doing what they are supposed to do and serves to detect and deter public corruption. *Insight* assists decision-makers by providing an independent assessment of government programs, policies, operations, and results. *Foresight* identifies trends and emerging challenges. Auditors use tools such as financial audits, performance audits, and investigation and advisory services to fulfill each of these roles.

### 2.4. Auditing in Local Governments

In the local governments there is no clear relationship between the input and output of resources because they do not work on a profit or loss basis. However, the local governments should be committed to fiscal auditing; this auditing show where the resource come from and also in what way they are invested or used in the municipality (Dittenhofer, 2001). Today a large number of resource are invested in the local governments, therefore, there is great pressure on local governments to monitor the organization when it comes to auditing and responsibility (Shlomo and Idit, 2007). The most common way to get money for the different departments in local governments today is on a cash basis. This means that local governments get money in accordance to their spending and purpose when the funds are appropriated. This is the cause of the basic financial control, to see what the money have been spent on (Ng, 2002). The public officials are the ones that take care of the public resources and also the ones that are accountable to the public and other levels in the government (Dittenhofer, 2001).

Local government auditing is not only about the auditor's opinion on fairness and financial statement, but also whether the internal control is good enough and if the local governments have followed the laws and regulations as they are supposed to. The traditional way to do a governmental auditing is to use a financial statement with a statement regarding laws, regulation and internal control. This is important because of the public funds. Keywords such as efficiency and effectiveness are tools to be able to measure the goals and other factors in the local government (Ng, 2002).

The focus in the public organizations has gone from being all about the input to be more about the output when it comes to budgeting and management. Today the politicians and the citizens think in terms of outcomes instead of output terms as the managers in the public sector are forced to think in (Kromann Kristensen Groszyk and Bühler 2002).

The public sector offices are the major vehicle for economic development due to their engagement in various economic activities; such as in manufacturing industry, transport and communication services, banking and financial service sectors, construction sector, hotel and tourism industry, etc. To become efficient and effective in each economic activity the performance of the management should regularly measure and assessed to take corrective actions when bad performance is found. Accordingly, the management of the public offices is responsible to follow up the implementation of economic policy and procedure, and submit reports on the performance of the economy (MoFED, 2004).

Proclamation Number 154/2002 gives authority to Oromia Office of Auditor General to insure that the resources of the regional government are utilize for the benefits and interests of the people, monitor and follow up that the principles of auditing are applied and report the performance thereof to the concerned organ, issue directives relation to standard and procedures of auditing, follow up where the works of the audit are implemented, to audit or get public institutions audited ,report the result of the conducted audit to the supervising organ having the authority to control, the government office or government public enterprise, to report to the permanent administration and controlling committee on government expense and the concerned organ so that administrative measure to be taken against such liable administrators; follows up the implementation thereof and report to the "Caffee" about its result.

Audit finding and recommendations would not serve much purposely unless management of the institutions is committed to implement them. The current research was assessed the implementation of audit recommendations and factors impeding the implementation of audit recommendations.

## 3. Research Methodology

### 3.1. Introduction

This chapter presents various procedures used by researchers to collect and analyze the necessary information required to achieve the research objective. It begins by discussing the research design. It presents the target population; define sample size and sampling procedure, data collection instruments and procedures. Finally the chapter presents the method of analyzing and interpreting the data.

### 3.2. Research Design

Orodho (2005) states that research design is the plan, structure and strategy of investigation proposed for obtaining answers to research questions. This study adopted a descriptive research strategy because the study wants to describe (by identifying) whether audit recommendations are properly implemented and factors hindering the implementation of audit recommendations. Frankel and Wallen (2003) define survey as the method that involves asking a large group questions about a particular issue. Information will be obtained from a sample rather than the entire population at one point in time. Descriptive survey research collects data in order to answer questions covering the current status of the subject in the study. It also allows for quick collection at comparatively cheap cost Grinnel (1993). Both quantitative and qualitative approaches were used to get the various aspects of implementation of audit recommendations.

### 3.3. Target Population and Sampling Techniques

#### 3.3.1. The Population

This study was conducted in Oromia Regional Governmental state. The target population of this study comprises all Oromia Regional Government public institutions at regional, zonal and wored level.

#### 3.3.2. Sampling Techniques and Sample Size

Sampling procedure is the way in which the sample units are going to be chosen. Due to the difficulty of covering all the total existing Oromia regional government public institutions, five public sectors (education, health, agriculture, road authority, and water and energy) were purposively selected as a representative. These public sector institutions are selected purposively because they are allocated large amount of budget since they are considered as poverty reduction sectors and have greater impact on the region's overall social, political and economic issues.

In order to select sample zones and woredas, first the eighteen (18) zones of the region were clustered into four (4) based on their *geographic location*. Two administrative zones were taken from each cluster and a total of eight (8) zones were selected proportionally. From each selected zone two woredas were selected using purposive sampling technique. From the total of twelve (12) town administrations in the region, four (4) towns and from each town were also selected purposively

No	Cluster	Composition	No. of Zones in the Cluster	Proportion in No.	Proportion (%)	Zones Selected (Convenience sampling)
1.	East	<ul style="list-style-type: none"> <li>• East Hararghe,</li> <li>• West Hararghe</li> <li>• Arsi</li> </ul>	3	2	66.6	<ul style="list-style-type: none"> <li>• East Hararge</li> <li>• Arsi</li> </ul>
2.	West	<ul style="list-style-type: none"> <li>• Kelem Wellega,</li> <li>• West Wellega,</li> <li>• East Welega,</li> <li>• Horo Guduru,</li> <li>• Ilu Ababora,</li> <li>• Jimma</li> </ul>	6	2	33.3	<ul style="list-style-type: none"> <li>• Jimma</li> <li>• East Wollega</li> </ul>
3.	South	<ul style="list-style-type: none"> <li>• Borena,</li> <li>• Guji,</li> <li>• West Arsi ,</li> <li>• Bale</li> </ul>	4	2	50	<ul style="list-style-type: none"> <li>• Borena</li> <li>• Bale</li> </ul>
4.	North and Central	<ul style="list-style-type: none"> <li>• West Showa,</li> <li>• East Showa,</li> <li>• South West Showa,</li> <li>• Oromia Special Zone</li> <li>• North Showa</li> </ul>	5	2	40	<ul style="list-style-type: none"> <li>• East Showa</li> <li>• Special Zone</li> </ul>
<b>Total</b>			<b>18</b>	<b>8</b>	<b>47.5%</b>	
5.	City administrations	<ul style="list-style-type: none"> <li>• Nekemte</li> <li>• Jimma</li> <li>• Burrayu</li> <li>• Sabata, Sululuta</li> <li>• Laga Tafo</li> <li>• Adama</li> <li>• Asalla, Bishoftu</li> <li>• Shashamane</li> <li>• Dukem, Gelan</li> </ul>	12	4	33.3%	<ul style="list-style-type: none"> <li>• Assela</li> <li>• Jimmaa</li> <li>• Adama</li> <li>• Nekemte</li> </ul>
<b>Total</b>			<b>30</b>	<b>4</b>	<b>33.3%</b>	

Table 1: Cluster Sampling of Zone -Stage 1

No.	Name	No. of questionnaire	No. of questionnaire (from woreda)	TotalNo. of questionnaire	Selected sample Bureaus (purposive sampling)
1.	Bureaus(5)	15		15	<ul style="list-style-type: none"> <li>• Education</li> <li>• Agriculture</li> <li>• Health</li> <li>• Road</li> <li>• Water</li> </ul>
2.	Arsi	15	2 x 15=30 (Limu bilbilo & Hitosa)	45	
3.	Asella town	15		15	
4.	East Wollega	15	2 x 15=30 (Arjo & Anno)	45	
5.	Nekemte town	15		15	
6.	Jimma	15	2 x 15=30 (Kersa & Gommaa)	45	
7.	Jimma town	15		15	
8.	East Harerge	15	2 x 15=30 (Haramaya & Babile)	45	
9.	Borena	15	2 x 15=30 (Bule Horaa & Yabello)	45	
10.	Bale	15	2 x 15=30 (Dinsho & Robe)	45	
11.	Special Zone	15	2 x 15=30 (Walmara & Sululta)	45	
12.	East Shewa	15	2 x 15=30 Lume & A/T/J/K(Batu)	45	
13.	Adama Town	15		15	
	<b>Total</b>	<b>195</b>	<b>240</b>	<b>435</b>	

Table 2: Sampling (Bureau, Zone, Woreda and towns) -Stage 2

The researcher adopted survey type of research in which samples of 435 respondents were selected from the target population of about 416,739 and sample frame of 258,971.

The following Yaro Yemani (1967) formula was used:

$$n = \frac{N}{1+N(e^2)} = n = \frac{258,971}{1+258,971(0.055^2)} = 335$$

Where n is sample size required, N is the size of the target population, e is the margin error which is 0.055. The researchers added hundred (100) in to the sample size acquired by Yaro Yamani formula. Therefore, the sample size for the population is 435 and from selected institutions four (4) respondents of which one (1) leader, one (1) planning/finance head and two (2) process owners were purposively selected for filling questionnaire and one internal auditor and one legal service officer selected for interview that are believed to have better understanding about the implementation of audit recommendations.

### 3.4. Data Collection Instruments

For this study both primary and secondary sources were used. Primary data were obtained using close ended questionnaires and interview while secondary data was from the audit manual, internet, journals, government publications and magazines. Primary data collected were used to identify factors impeding implementation of audit recommendations. The questionnaires were distributed to the leaders, finance head and legal officers of the selected regional bureau, zonal organizations and city administrations whereas interview was conducted with internal auditors and legal officers of the selected samples.

### 3.5. Pilot Study

The questionnaire was distributed to selected public institutions at Sebeta town and tested before the final administration. The purposes of pilot test were:

- a) To identify unforeseen problems in the questions wordings, respondents' comprehension, question sequence, and questionnaire administration approach that they can be eliminated before the actual administration.
- b) To indicate for additional questions or to eliminate the unnecessary ones.

### 3.6. Techniques of Data Analysis and Interpretation

Descriptive statistics were used to analyze data. Percentages and proportions were applied to analyze the implementation of audit recommendation from 2003-2006 E.C. using the Statistical Package for Social Sciences (SPSS) version 20. To enhance conceptualization of the findings, tables were used. The data obtained through interview was analyzed qualitatively and used to support the findings obtained through questionnaire.

#### 4. Data Presentation, Analysis and Discussion

##### 4.1. Introduction

Data analysis is the process of evaluating data using analytical and logical reasoning to examine each component of the data provided. Data from various sources is gathered, reviewed, and then analyzed to form some sort of finding or conclusion.

(<http://www.businessdictionary.com>)

The primary data collected by way of questionnaires and interview, in addition to the documentary data obtained from secondary sources, formed the basis of analyzing research the findings. This chapter covers the presentation and analysis of the data used in the study. It shows the findings of the study which seeks to answer the research questions vis-à-vis the study objectives. The core issues of the research which are implementation of audit recommendations In Oromia Regional Government were analyzed in this chapter. The chapter identifies whether the audit recommendations given to institutions are being implemented. It also reveals factors that hinder the implementation of the audit recommendations.

##### 4.2. Response Rate

Respondents	No of Questionnaires Distributed	No of Questionnaires returned	Percentage of Return Rate
Leaders	92	64	69.6%
Planning/finance head	120	118	98.3%
Process owners	223	219	98.2%
<b>Total</b>	<b>435</b>	<b>401</b>	<b>92.18%</b>

Table 3: Respondents and Response Rate

The above Table 3 shows that questionnaires were distributed to leaders, planning/finance head and process owners of the selected regional, zonal, towns and woreda level public sector institutions. The researchers distributed a total of 435 questionnaires during the study period out of which only **401** were returned with **92.1%** of return rate. Four questionnaires were discarded due to missing data. Therefore, **401** questionnaires were considered for the study. From seventeen (17) internal auditors and seventeen (17) legal service officers of Oromia Finance and Economic Development (OFED) invited to participate in the interview, 24 of them (which accounts 70.5 %) participated.

##### 4.3. Data Analysis

##### 4.3.1. Demographic Background of Respondents

In this part of analysis, the characteristics of the respondents briefly described. To this end, some indicators of the characteristics of the respondent such as sex, age, marital status, educational qualification, their position in their respective organizations and work experience have been stated.

		No. of Responses	Percept (%)
Gender of respondents	Male	333	83.0
	Female	68	17.0
Marital status of respondents	Married	334	83.3
	Single	67	16.7
Respondents experience	1-3 years	38	9.5
	4-7 years	97	24.2
	>8 years	266	66.3
Respondents education	Diploma	108	26.9
	First degree	269	67.1
	2nd degree and above	24	6.0

Table 4: Demographic Details of the Respondents

From Table 4 above, it can be seen that the majority (i.e. 83%) of the respondents are male. Only 17% of the respondents are female. This shows the proportion of female employment in the region is still low and the majority (i.e. 83.3%) of the respondents are married and only 16.7% of them are not married. 66.3% of the respondents have work experience of more than 8 years in the public institutions, 24.2% of the respondents have an experience of 4-7 years and the remaining 9% of the respondents have a work experience of 3 years or below. Table 4, also reveals that 67.1% of the respondents are of first degree holders, 26.6% have got diploma, and the remaining 6% of the respondent are of 2<sup>nd</sup> degree holders. These show that the majorities of the respondents were educated and experienced professionals.

#### 4.3.2. Data Analysis of Respondents Opinion

This part deals with data organization, data analysis and discussion of the findings.

	Statements	Advantage (%)	Not (%)
a)	Help to reduce wastage of resources	84.8	15.2
b)	Increase quality service delivery	65.8	34.2
c)	Help to attain objective s of the organization	61.8	38.2
d)	Strengthen accountability	68.1	31.9
e)	Increase transparency of the organization	70.3	29.7
f)	Increase customer/citizen trust of the organization	58.6	41.4
g)	Help to take necessary corrective measures	64.3	35.7
h)	Reduce rent seeking practice	80.0	20.0
i)	Contribute to ensure good governance	69.8	30.2

Table 5: Respondents' opinion about importance of external audit in government organization

As indicated in Table 5 above, majority of the respondents decisions on all the items believed that auditing in government sector institutions are important. 84.8% the respondents agree that it auditing reduces wastage of resources, 80% of them believe that auditing reduces rent seeking practice, and 70.3% of them think that auditing increases the transparency of organization. In a similar fashion, only 58.6% of the respondents agree to the notion that audit increases citizen trust and 61.8% respondents consider that it helps to attain objectives of the institutions and 64.3% of them opined that audit helps to take necessary corrective measures. Thus it can be inferred that, conducting external audit in public sector institutions play a great role in many aspects.

	Items	Agree (%)	Disagree (%)
a)	Rules and regulations are violated/not followed	66.3	33.7
b)	Wastage of resources increased	79.8	20.2
c)	Citizen trust on government reduced	64.8	35.2
d)	Benefit of the citizen reduced	71.1	28.9
e)	Ensuring good governance become difficult	69.3	30.7
f)	Rent seeking practice increased	80.3	19.7
g)	Growth and development may be affected negatively	70.3	29.7

Table 6: Consequences of not conducting audit in public sector institutions

From Table 6 above, majority of the respondents (i.e. 80.3%), and (79.8%) agreed that if public sector institutions are not audited the rent seeking practice, and wastage of resources are increased respectively. In addition to this, majority of the respondents (71.1%) believe that absence of external audit in public sector institutions reduce citizens benefit, 70.3% of them support the statement that absence of audit affect the growth and development of the region negatively, 69.3% of them think that absence of audit makes difficult to ensure good governance, 66.3% of the respondents believe that rules and regulations are not followed if external audit is not conducted, and 64.8% the informants think that absence of audit reduces citizens trust on government. This indicates that auditing public sector institutions are very crucial to avoid/minimize the mentioned consequences.

	Items	Agree	Disagree
a)	Revenue remain uncollected	18.5	81.5
b)	Revenue is collected illegally(without legal receipt)	9.0	91.0
c)	Receivables remain uncollectable	15.7	84.3
d)	Expenditures are paid without legal voucher	6.7	93.3
e)	Expenditures are paid without legal authorization	12.5	87.5
f)	Expenditures are paid without any service provided as if provided	15.5	84.5
g)	Expenditures are paid without proper budget transfer	10.2	89.8
h)	Rules and regulations of purchasing is not followed	21.2	78.8
i)	Misuse of organization's cash has been seen for different reasons	48.1	51.9

Table 7: Financial Resources Management/Utilization



From Table 7 above, 91% of the respondents believe that revenue is collected legally, 93.3% and 87.5% agreed that expenditures are paid with proper voucher and with legal authorization respectively. Majority of the respondents (i.e.78.8%) also agreed that the materials for the organizations are purchased following rules and regulations of the government. From the total respondents 51.9% believe that cash of the organizations are used properly without embezzlement and about half of the respondents (i.e. 48.1%) agreed that the cash of the organizations are misused for different reasons. From the interview, majority of the interviewees agree that though revenue is collected legally, there is also illegal collection i.e. there are collection made without receipt. Majority of the participants also agree that expenditures are expended (paid) legally but there is also violation of rules and regulations. In addition, the interviewees say that control over purchase of materials; peridium payment, budget transfer, and proper utilization of cash are critical areas that need close attention in the organizations.

Budget Year	Audit findings	Returned to treasury	Not returned to treasury	Percent not returned to treasury
2003	Br3,678,946.01	---	Br3,678,946.01	100%
2004	116,445,729.55	19,709,512.52	96,736,217.01	83%
2005	181,301,140.85	17,688,982.48	163,612,158.37	91%
2006	168,994,509.95	22,586,286.47	146,408,223.48	87%
<b>Total</b>	<b>Br470,420,326.36</b>	<b>Br59,984,781.47</b>	<b>Br410,435,544.87</b>	

Table 8: Audit Recommendations on Misused Cash from 2003-2006 E.C.

Source: Oromia Auditor General Annual Report(2003-2006 E.C)

Secondary data obtained from Auditor General annual report indicated that significant amount of misappropriated cash and recommended by auditors to be returned to government treasury is still not returned. From total of cash misused and audit recommendation made to from 2003-2006 E.C. to be returned to government treasury (i.e. Br470,420,326.36 ) only birr Br59,984,781.47 returned to government treasury, whereas Br410,435,544.87 is still not returned to government treasury. Majority (i.e.87.25%) of misappropriated cash of the government is not returned.

Thus it can be inferred that, there is misappropriation of financial resources (cash) in public sector institutions and lenient action against fraudsters. In addition, it is clear that there is violation of rules and regulations of financial management in public institutions.

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	Options	Frequency	Percent
Do you think that due attention is given by your organization to vulnerable areas to rent seeking identified by auditors from 2003-2006?	Yes	205	51.1
	No	144	35.9
	Neither	52	13.0
	<b>Total</b>	<b>401</b>	<b>100</b>

Table 9: Opinion of respondents on Vulnerable Areas Subjected to Rent Seeking

From Table 9 above, 51.1% of the total respondents believe that due attention is given to vulnerable areas to rent seeking as identified and recommended by auditors, 35.9% of the respondents argue that no attention is given to reduce rent seeking, and 13% of the respondents do not know whether due attention is given as per audit recommendation or not. Thus it can be concluded that though majority of public institutions giving due attention to vulnerable areas subjected for rent seeking still it requires improvements to discourage rent seeking practice and safeguard public resources.

	Statements	Very poor	Poor	Neutral	Good	Very good
1)	Structure of your organization	4.2	7.5	23.2	38.9	26.2
2)	Capacity and competency of human resources	1.7	2.7	22.7	52.4	20.4
3)	Supervision and control of your organization	2.5	4.0	23.7	45.1	24.7
4)	Service quality of your organization	2.0	2.5	23.2	54.1	18.2
5)	Internal control of human resources	3.2	5.2	27.4	45.9	18.2
6)	Preparation of plan and bid of your organization	2.5	2.2	22.7	44.1	28.4
7)	Budget utilization of your organization	3.0	5.5	19.5	43.4	28.7

Table 10: Respondents opinion on Performance Audit

From Table 10 above, it can be seen that respondents are in agreement to all statements. Majority of the respondents (65.1%) believe that, the structure of the organizations are acceptable, 72.8% them consider that competency of human resources are acceptable, 69.8% opines that supervision and control of the organizations are at acceptable stage, service quality at 72.3%, internal control of human resources at 64.1%, preparation of plan and bid at 72.5% and budget utilization of the organizations at 72.1% considered as good and in all items greater than 20% of the respondents believe that the institutions performance is neutral i.e. not good or not poor. Hence, we can say that though the performance of the organization is good still it requires improvements in this regards.

	Statements	Percent				
		Very poor	Poor	Neutral	Good	Very good
1.	Collecting revenue using legal receipts	0.7	1.0	22.2	40.4	35.7
2.	Making payment as per rules and regulations	0.9	3.2	20.9	38.9	35.9
3.	Utilization of fixed and current assets	1.9	4.5	21.9	43.9	27.4
4.	Utilization of human capital	2.0	3.5	21.7	51.1	21.7
5.	Purchasing materials	3.0	4.7	26.7	42.6	22.9
6.	Implementation of plan	0.7	2.0	19.2	52.6	25.4
7.	Resources management of the organization	2.5	5.2	26.2	47.6	18.5
8.	Maintenance and disposal of resources	4.2	12.2	33.9	38.7	11.0

Table 11: Opinion of Respondents on Rules, Regulations and Procedures

From Table 11 above, majority of the respondents agreed that rules, regulations and procedures of the organizations are followed by the institutions. Legal collection of revenue at 76.1%, making payments legally at 74.8%, asset utilization at 71.3%, human capital utilization at 72.8%, purchasing at 65.5%, implementing plan into action at 78%, resource management at 56.1%, and disposal of resources at 49.1% considered good by respondents, whereas in all items greater than 20% of the respondents believe that the performance of the public sector institutions are neither good nor poor. Therefore, from the above discussion one can understand that the public sector institutions follow the rules, regulations and procedures of the institutions though there were few limitations that need improvement.

	Options	Agree	Disagree	Neither
a)	Few audit recommendations implemented	32.4	67.3	.2
b)	All audit recommendations implemented	21.7	78.3	----
c)	No action taken yet	14.5	85.5	

Table 12: Opinion of respondents on Extent of Implementation of Audit Recommendations

From Table 12 above, majority of the respondents (i.e. 78.3%) agreed that all the audit recommendations are not implemented, whereas 21.7% of the respondents argue that all audit recommendations are implemented. 32.4% of the respondents believe that as only few audit recommendations are implemented and the remaining 67.3% of the respondents believe that majority of the audit recommendations are not implemented and 85.5% of the respondent agree that as corrective actions taken regardless of its extent. The participants of interview also agreed that on the existence of gap in implementing audit recommendations in public institutions. This shows that still there is a gap regarding full implementation of audit recommendations in public institutions.

	Items	Yes		No	
		Frequency	%	Frequency	%
a)	Lack of educated human resources to implement	54	13.5	347	86.5
b)	Absence of support from concerned body to implement	113	28.2	288	71.8
c)	Inadequate internal control follow up of audit implementation	130	32.4	271	67.6
d)	Absence of owner to follow up the implementation	96	23.9	305	76.1
e)	Lack of trust on audit recommendations	33	8.2	368	91.8
f)	Unsatisfactory follow up after audit recommendations	92	22.9	309	77.1
g)	Less concern of leaders with regard to audit recommendations	105	26.2	296	73.8
h)	Lenient accountability and penalty	74	18.5	327	81.5
i)	Poor quality of audit recommendations	37	9.2	364	90.8
j)	Absence of plan to implement audit recommendations	97	24.2	304	75.8

Table 13: Opinion of respondents on Reasons for not Implementing Audit Recommendations

From Table 13 above, all respondents are in agreement that statements listed are not the strong reasons for not implementing audit recommendations. 91.8% of them believe that they trust on audit recommendations, 90.8% of them have no complain about quality of audit recommendation, educated human resources to implement audit recommendations at 86.5% are not considered as reasons of not implementing audit recommendations by respondents. On the other hand, weak internal control at 32.4%, absence of support from concerned body at 28.2%, and less concern of leaders at 26.2% are the major reasons for not implementing audit recommendations as perceived by respondents. The interviewees believe that though there is attempts to implement audit recommendations, due attention is not given for implementing it because of the following main reasons: absence of ownership to follow up the implementation, absence of coordination between internal audit and auditor general, lack of leaders commitment to implement audit recommendations, and absence of implementation progress report. Thus it can be inferred that, implementation of audit recommendations is not emphasized as expected by management of auditee and the attempt made to implement audit recommendations is inadequate.

## 5. Summary of Findings, Conclusion and Recommendations

### 5.1. Introduction

Under this part of the paper, the summary of finding, conclusions and the recommendations are presented. Based on the analysis made in chapter four, the following summary and conclusions are made on Implementation of Audit Recommendation in Oromia Regional Government Public Sectors Institutions.

### 5.2. Summary of Major Findings

The following is summary of findings:

- Implementation of audit recommendations and corrective actions taken based on audit recommendations against fraudulent acts were not adequate.
- From 2004-2006 E.C. significant amounts (i.e. 34.1%) of misused/misappropriated cash of public institutions were not returned to government treasury.
- Though there were some effort to give attention to vulnerable areas subjected to rent seeking by public institutions still emphasis given to safeguard public resources is not satisfactory.
- Continuous follow up actions are not undertaken to check whether audit recommendations are implemented-unsatisfactory follow up.
- Management (leaders) of the public sector organizations are not discharging their responsibilities in implementing audit recommendations.
- Progress report of implementation of audit recommendations, accountability, and follow up system are not established.
- There is no system in the auditee (client) to monitor the implementation of audit recommendations.

### 5.3. Conclusions

The following are the main points drawn from the study on the implementation of audit recommendations and the main factors hindering the implementation of audit recommendations in Oromia regional government public institutions.

- Inadequate corrective actions taken on waste/breach of financial rules and regulations of public institutions encouraged fraudulent activities and financial irregularities thereby hindering implementation of audit recommendations
- Inadequate follow up action by auditee, auditor general and permanent committee-‘Koree dhaabbii’ to check whether recommended actions have been implemented has perpetrated the non-implementation of audit recommendations.
- For audit of any kind to be successful, it needs to operate in an environment where transparency and public accountability are normal occurrences. There is lenient accountability with regard to implementation of audit recommendations.
- Since organizations do not submit implementation progress report to Office of Auditor General to compare plan and target achieved, recommended actions not implemented are not emphasized and no further action is taken.
- Because there has been no reasonable time period given by the external auditors to auditees to implement audit recommendations, the implementation of some recommendations has not been implemented in time or even rejected.
- Primary responsibility for implementing agreed up on audit recommendations generally falls upon management/leaders of the public institutions that were subject to the audit. Successful implementation of audit recommendations requires strong management (leaders) to oversight and plan implementation and timeframes for addressing the required action. Implementation planning should involve key stakeholders, including the internal audit function. In this regard public institution leaders have no plan to implement audit recommendations.

### 5.4. Recommendations

Based on the findings of the study, the following are principal recommendations made to improve implementation of audit recommendations in Oromia Regional Government public institutions:

- The public institutions shall enforce rules and regulations properly so that leaders and employees should refrain from breaking rules and regulations.
- Necessary punitive action should be taken at different levels for all proven fraudulent activities and against public servants flouting/breaking financial regulations. This measure may deter the officers from committing similar offenses.
- As Barlow et al (1997:322, cited in Skalaunda,1999) recommends that all unfavorable findings should be followed up to determine whether the agreed action was taken, Office of Auditor General, auditee, and permanent committee should continuously follow up to determine whether recommended corrective actions have been implemented and are effective. The follow up should be scheduled after the recommendations are agreed up on and should be based on who assigned the responsibility, when corrective action is to be taken and what has to be done.
- Office of Auditor General should establish system for progress report of implementation of audit recommendations detailing their plan and implementation target achieved preferably semiannually and the closure should be formal.
- The auditee public institutions should maintain separate record for the number of audit recommendations received (financial and performance) to fully/partially implement and submit implementation progress report to Office of Auditor General.
- The risks involved and the time taken to implement recommendations within entities can vary. Nonetheless, if implementation is not progressed promptly, and individual risks remain untreated, the full value of the audit is not being achieved. In this context it is important that the government make the institutions/leaders liable for non-implementing audit recommendations.

- In democratic countries, there is a direct relationship between the mass media and the concept of publicity. Santiso (2008:67-84) argued that the media is an effective actor in publishing audit findings. He also believed that the publication of audit reports has a role in indirect enforcement to implement audit recommendations. Therefore, the Office of Auditor General of the region should create relationship with the existing media in the region to publish or broadcast a summary that highlight any positive and negative audit recommendations to enhance transparency and so as to discourage misappropriation of resources in public institutions.

### 5.5. Future Research

In order to complement the objectives of this study, a research should be undertaken on the implementation of audit recommendations given to each institutions case by case to determine how many of the audit recommendations are fully implemented, quality of reporting of external auditors, and the coordination of internal auditors and Auditor General of Oromia (external auditor of the region) for effective implementation of audit recommendations.

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