



**SAINT MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MBA PROGRAM**

**ROLE OF PERFORMANCE AUDIT IN FIGHTING CORRUPTION: THE  
CASE OF BRICK PRODUCT PROCESSING Sh. Co.**

**A THESIS SUBMITTED TO SAINT MARY'S UNIVERSITY IN PARTIAL  
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ARTS IN BUSSINESS ADMINISTRATION**

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**SAINT MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
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## **DECLARATION**

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“I hereby declare that this research paper entitled “**ROLE OF PERFORMANCE AUDIT IN FIGHTING CORRUPTION: THE CASE OF BRICK PRODUCT PROCESSING Sh. Co.**” is my own and to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent that has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.”

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## **LETTER OF CERTEFICATION**

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This to certify that Yared Yehualaeshet Gebremariam has carried out his thesis work on the topic entitled **“ROLE OF PERFORMANCE AUDIT IN FIGHTING CORRUPTION: THE CASE OF BRICK PRODUCT PROCESSING Sh. Co.”** under my guidance and supervision. Accordingly, I here assure that his work is appropriate and standard enough to be submitted for the award of Master of Arts in Business Administration.

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## ACRONYMS

3Es:	Efficiency, Effectiveness and Economy.
AAU:	Addis Ababa University
ABA	American Bar Association
ACFN	Accounting and Finance
AFROSAI-E	African Organization of English- Speaking Supreme Audit Institutions
AG:	Auditor General
CNAO:	China National Audit Office
CPI:	Corruption Perceptions Index
DAG:	Deputy of Auditor General
EC:	European Communities
ERA:	Economic Responsibility Audit
ERRP:	Emergency Relief and Rehabilitation Program

## ABSTRACT

*Performance audit is a recent expansion in the scope of auditing. According to the International Organization of Supreme Audit Institutions, performance audit is an audit of economy, efficiency and effectiveness with which the audited entity uses its resources in carrying out its responsibilities. The role & understanding of internal audit activity concept in Ethiopia is not developed well. Most share companies in Ethiopia ignore the issues and paid less attention to plan a large amount of their audit time on these issues may lead for the company failures. The general objective of this study is to assess the role that internal audit specifically performance audit challenges in playing a role in order to protect & detect fraudulent activities in Bricks product processing share company. The study was conducted in Addis Ababa, Ethiopia at Brick Products Processing Share Company and the study problem was answered through a qualitative approach. The populations used for this research are from internal audit, Finance, Stores Procurement department & other related staffs. The analysis result depicts that, corruption is detected during all three types of audit: financial, compliance and performance. The result showed that, good quality auditing has a contribution in reducing levels of the sector corruption and higher quality auditing standards in the private sector had a pronounced effect on reducing corruption. The finding indicated that the major cause for diseconomy, inefficiency and failure to achieve results of audits are due to existence of corruption. Knowledge sharing and cooperation between stakeholders is important to improve their ability to meet the company objectives. The company should make memorandums of understanding to cooperate with each other, share knowledge and expertise, and run joint training sessions on corruption-related auditing.*

**Key Words: Performance audit, Corruption, Audit**

# **CHAPTER: ONE**

## **INTRODUCTION**

This section provides brief the backbone of the proposed research. It specifically gives background to the research problem, statement of the research problem, its objectives, questions and significance. It also presents the scope, limitation and delimitation of the proposed study.

### **1.1 BACK GROUND OF THE STUDY**

The concept of performance auditing in the public sector has been around since the 1960s, pervasive in countries like the United States (US), Canada, the United Kingdom (UK), Australia, and New Zealand (Green & Singleton, 2009). They also claim that the United States General Accounting Office (GAO) was the pioneer of comprehensive auditing after the Second World War. In Ethiopia, performance audit has started in 1992 (Dereje, 2012). The International Standards of Supreme Audit Institution (ISSAI) 3000 defines a performance audit as an independent examination of the efficiency and effectiveness of government undertakings, programs or organizations, with due regard to economy, and the aim of leading to improvements.

Corruption is widely seen as one of the biggest impediments to economic growth, investment, and poverty reduction in developing contexts. The World Bank defines corruption as “the use of public office for private gain” (Campos and Pradhan 2007). For decades, corruption in Ethiopia has been discussed only at the margins. Perhaps because many have not experienced corruption as a significant constraint to their lives and businesses, or perhaps because a culture of circumspection has dampened open dialogue, Ethiopia has seen neither the information flows nor the debate on corruption that most other countries have seen in recent years. The growth of performance auditing has led to a growth in the possible roles auditors might play.

Pollitt (1999) argues there are at least four roles an audit office could play or have on audited government sectors. The first performance audit role is as the management consultant where the aim is to improve public management; the second is to provide assurance. Pollitt also indicate that performance audit as independent and objective external audit, its reports are also

constructive, helping departments, and agencies improve their performance for the benefit of citizens and taxpayers. The fourth role according Pollitt is to enhance accountability.

Performance audit is a recent expansion in the scope of auditing. According to the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics (1998), performance audit is an audit of economy, efficiency and effectiveness with which the audited entity uses its resources in carrying out its responsibilities. Historically, performance audit was introduced in the 1960s in country like United States (US) to provide assurance over accountability concerns in the public sector (Pollitt & Summa, 1997). They also add that in addition to accountability performance auditing emphasis on performance improvement in the public sectors. Performance audit is a systematic, purposeful, organized and objective examination of government activities. It provides parliament with an assessment on the performance of these activities with information, observations and recommendations designed to promote accountability in government and to ensure an ethical and effective public service, good governance and sustainable development (Waring& Morgan, 2007).

Corruption has been identified as one of the most important constraints to private sector development. Transparency International defines corruption as “the abuse of entrusted power for private gain” and also differentiates between “according to rule” corruption (where bribes might be given to receive preferential treatment for services to which users are entitled by law) and “against the rule” corruption (where the service provider is not entitled to provide that service by law.”)

Private-sector corruption means that a manager or employee chooses to act for his own benefit, and contrary to his duties and responsibilities (Argandoña, 2003; 255). Selfishness, however, may not be the only consideration. For example, an employee may believe he or she is acting in the interest or wellbeing of the company, e.g. securing an order through a bribe. Corruption in the private sector thus compares to political and administrative corruption, where the civil servant or politician takes advantage of the public office for his own benefit. It is, however, more difficult to see who is being ‘cheated’ when looking at private-sector corruption compared to the public sector.

Brick Products Processing Share Company has two branches located in Burayu town. Brick Products Processing Share company primarily established by Ethiopian, Italian, Grecian investors. In 1969 E.C. five different factories namely Burayu Brick Factory, Ethio Brick Factory, Addis Brick Factory, Marble Factory & Brichiko Factory integrates in the name of “Brick Marble Unit”. After the overthrow of the “Derg” regime the transitional government of Ethiopia re-organized the industry by the proclamation of the Ministry of Councils regulation 146/1990 as “Brick Products Processing Share Company”. During that time the authorized capital of the company is Birr 10.1 million.

In 2003 E.C the government privatizes the company to Afero-Tsion Construction Private Limited Company. Now the company has two branches namely Burayu and Ethio Factory. Burayu Factory produces different type of Brick & Block and Ethio Factory Produces Brick, Block, Wood Work and Aluminum Products. In 2005; 2007 and 2008 E.C. the owner of the company expands the factory & erected Wood work; Aluminum machinery and metal work respectively. With the vision of improving the quality of its products the company will design different tactics to Penetrate East African market and expands its market share in the domestic market.

## **1.2 STATEMENT OF THE PROBLEM**

The government of the Federal Democratic Republic of Ethiopia (FDRE) clearly recognizes that corruption hinders development, democratization, and good governance endeavors. Hence, it has been striving to prevent and combat this socioeconomic evil by designing various strategies. On the other hand, according to information released by Transparency International Index AFROSAI-E expressed the rank of member countries against corruption in its web address. Hence, Ethiopia scored 2.7 and ranked 14<sup>th</sup> among 23 of AFROSAI-E member and 120<sup>th</sup> among 180 assessed countries (Sundgren, 2011).

Discouraging results have been registered. Nevertheless, it is the strong conviction of the government that the anticorruption struggle should continue in a strengthened manner to attain better results. The Ethiopian government believes that anti-corruption activities should be supported by studies to make them fruitful. However apart from the Corruption Perception Index

by Transparency International and the National Corruption Perception Survey conducted by Addis Ababa University in 2001—no study was conducted that gave full information about the reality on the ground (Samuel,2001).

Those working in a particular sector often know what the issues and challenges are. Furthermore, by breaking the problem down sector-by-sector, it is possible both to determine what can be done to meet challenges and to produce an overview of which institutions and companies in a given country context seem prone to corruption and which do not (IIA, 2018).

The role & understanding of internal audit activity concept in Ethiopia is not developed well. Most companies still focus on financial audit activity and control activities for their success done by External auditors once a year. The audit activity focusing on the issue of financial transaction & related (other income & Expense) activities are one of the main interests of the management (Assefa, 2000).

Different studies indicated that manufacturing companies who produce large quantity of production and different products should have a strong performance audit activity. But, most share companies in Ethiopia ignores the issues and paid less attentions to plan a large amount of their audit time on these issue may lead for the company failures. Because of this, the company faced unfavorable and ineffective usage of resources (IIA, 2018).

There is a symptom within the company which shows the problem of corruption across the different departments. Despite the importance of performance audit no study has been carried out to investigate role of performance audit in fighting corruption in share companies (Assefa, 2000).

The above discussed problems invited the researcher for extensive research on performance audit and its role in combating corruption in Brick Product Processing Share Company.

### **1.3 RESEARCH QUESTIONS**

The research questions that were addressed in this study are:

1. What are the problems in conducting performance audit and using the findings as input for struggle against corruption?

2. What are the strategies (techniques) used to mitigate challenges from corruption/Fraudulent activities?
3. What are the relevant information & experience on performance audit activity in relation to corruption?

## **1.4 OBJECTIVE OF THE STUDY**

### **1.4.1 General objective**

The general objective of this study is to assess the role that internal audit specifically performance audit challenges in playing a role in order to protect & detect fraudulent activities in Bricks product processing share company.

### **1.4.2 Specific objectives**

The study was guided by the following sub- objectives:

- To assess problems to execute performance audit activities and using audit findings in corruption protection.
- To identify the strategies (techniques) used to mitigate challenges from corruption/Fraudulent activities?
- To find out relevant information & experience on performance audit activity and give recommendation depending on the findings in the company to meet the expected result.

## **1.5 SIGNIFICANCE OF THE STUDY**

Focus of internal audit and expectation of performing performance audit is at minimum level in the country, especially in protecting corruption. That is the reason the institute of internal auditors (IIA) Ethiopian chapter focusing in updating its members in the area. And its advantages for the best communication with the management, Board and other stake holders in focusing creating awareness in fighting corruption.

Therefore, the different level managers of these organizations can benefit by understanding the strength and weaknesses in implementing performance audit in the company. In addition, they can draw directly from experiences to improve weaknesses for enhancing their future view of the

internal audit department performance. At the same time, the assessment and the recommendations would be taken by the audit committee of the board & the Management of the company to enhance their attraction to Internal Audit. Finally, this study would be beneficial for other researchers as a reference point for those who are interested to conduct further research in the area of performance audit.

## **1.6 SCOPE OF THE STUDY**

The study was focus on one part of the internal audit activity which is performance audit. Even though, performance audit is under implementation in Office for Auditor General & Audit Service Corporation in government organizations in Ethiopia, and other non-government organizations as monitoring & evaluation activity this research does not deeply investigate this points. Despite the fact that there are many manufacturing companies internal audit facing smooth communication with auditees in performing & reporting findings, this paper concentrates only on the role of performance audit, by deliberately leaving reports other secrete issues and past performances that may have an influence on future department activities, as they are beyond the scope of this study. The study will be conducted from March, 2020 to July,2020.

## **1.7 LIMITATION OF THE STUDY**

As the data for this study was obtained from the company's data, the results of the findings cannot be fully generalized to all manufacturing companies & governmental institutions that are in implementing the performance audit activities. In addition to this, the study encountered lack of obtaining accurate information, as some managers tend to speak from the place of bias, to conceal the bias or conflict of interest. Moreover, the sampled employees have refrained from giving information about their capacity & fear of their level managers or respective bosses. Finally, time constraint was another limitation in conducting the intended research to see details of performance audit in other institutions.

## **1.8 ORGANIZATIONS OF THE STUDY**

This thesis is organized into five chapters. The current chapter, chapter one, introduces the background to the study, performance audit concept and the practice of corruption, research problem, research questions, rationale and significance of the study, and expected managerial



and theoretical contributions. This chapter provides the background to the main concepts of the thesis and discusses the current state of the previous research on the main topic. The overall purpose, research objectives and scope of the study are outlined.

The second chapter reviews the literature on performance audit, and corruption and role. The chapter presents the theoretical foundation of the main concept of performance audit and corruption in general and its role and relationships in particular.

The third chapter discusses the research design and methodology. The methodology chapter discussing on the overall structure and research design in this research thesis, as well as a description of the applied methodological approaches.

The fourth chapter presents, data analysis and results and discussion of results. Finally, the fifth chapter presents conclusion and recommendations, including the theoretical and managerial implications of this research, study limitations, and future research.

## **CHAPTER TWO**

### **RELATED LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter looks at the past studies on the role of performance audit in fighting corruption. The chapter also presents literature and previous studies that have been conducted on performance audit approaches and their link to corruption and also describes facts and circumstances of the brick product processing.

#### **2.2 THEORETICAL PERSPECTIVE**

##### **2.2.1 Synopsis of Performance Audit**

In short most studies indicate, despite the ancient recognition the concept of performance audit is essentially a twentieth century phenomenon (Flesher et al., 2002, p. 102) and is a very new development in the history of auditing. It is by-product of the modern public management and these audits are complex by nature (Gronlund et al., 2011). Currently become part of government audit, in all member countries of the International Organization of Supreme Audit Institutions (INTOSAI). In Ethiopia at federal government level, also, performance audit is developed and aged more than two decades.

Since there is an increasing demand on a better public accountability across nations, the role of performance audit in government sector is becoming popular (Pollitt, 2003). The Organizations for Economic Co-operation and Development (OECD) countries have been aware of this need since they have reformed their public management to be more transparent, accountable and provide better service (OECD countries symposium in Paris on 6-7 June 1995).

The process of performance audit implies an interaction and communication between the auditors and audited public sectors. This process constitutes an attempt by the auditors to influence audited public sectors, both to make real change in the way they manage public resources, and to improve performance by implementing the performance audit recommendations (Morin, 2001). Morin also indicate public sector performance audits offer

advice or recommendations on operational improvements and performance audit is primary to enhance accountability for the government entity. Good or positive perceptions of the audited entities on performance audit, perception of the auditees on auditors 'performance audit recommendations, and auditees implementing performance audit recommendations have used to assess role of performance audit on performance improvement in the audited entities (Morin, 2003). Morin also used activities performed by the legislature and media participation on findings of performance audit report to assess influence of performance audit on accountability.

Performance audit have numerous importance in improving performance (John 1996), in assisting public expenditure management (Dadi 2009), in supporting modern public management (Michael 2002) and in fighting corruption (Khan 2006). Especially in many countries performance audit is used as a tool against corruption (Dye and Stapenhurst 1998; Borge 1999; and Matechaknd).

Public accountability is the root of performance audit. Public accountability means that those in charge of a government program or ministry are held responsible for the efficient and effective running of such. Accountability presupposes public insight into the activities of the program or ministry. Performance auditing is a way for taxpayers, financiers, legislatures, executives, ordinary citizens and the media to 'execute control' and to obtain insight into the running and outcome of different government activities (INTOSAI 2004).

### **2.2.2 The Concept of Performance Audit**

Cowater (2006, p.17) states the following eight prime objectives of performance audit: to maintain and enhance public accountability; to improve accountability by strengthening the relevant supervising authority's reporting to the legislature on the performance of government departments, agencies, projects and programs; to act as a force for beneficial change in the management of resources and the achievement of value for money; to encourage improved value for money in government departments, agencies etc. where improvements are found to be necessary and cost effective; to identify well performing government organizations as possible lessons to be emulated by others; to enable to provide independent information, advice and assurance about the 3Es in the major fields of revenue, expenditure and management of other

resources; and to induce and assist audited entities to take action where improvements are shown to be necessary and cost effective.

Performance audit is a widely accepted practice that has been in use for at least four decades. Through the vehicle of performance auditing, auditors can add value to public and private organizations performance by recommending improvements in the economic, efficient & effective uses of resources.

There is a historical development of value for money (VFM) audit as we now say Performance audit. It is also known as the three E's audit approach. Any ways these things are not different but take mining from their activities. As a matter of fact, Performance Audit is defined as audits that provide objective assurance based on evaluation of sufficient, appropriate evidence against criteria. It is an independent audit process aimed at providing assurance services on performance of project, programs activity, functions in terms of economic, efficiency and effective uses of resources by evaluating measures such as policy, policy making, planning, organizing coordinating and monitoring tools employed by management(Deloitte).

In another definition of Performance audit, performance auditing is defined as “the examination of a nonprofit or governmental entity or a portion of the entity such as an organizational unit, program, activity, function, or management control system to assess performance.”

The objectives of these audits typically address more than one of the following:

- The extent to which resources have been managed with due regard to economy and efficiency
- The extent to which resources have been managed with due regard to effectiveness
- The extent of compliance with laws, regulations, or policies
- The adequacy of internal controls or safeguards over public assets

Performance auditing includes “value-for-money” auditing (The IIA Research Foundation). In this audit we can simply answer basic questions:

- Have the right things been done?
- If so, are things being done in the right way?

- If not, what are the causes?

### **2.2.3 Corruption**

Anxiety about corruption is as old as the history of government audit (Shah, 2007, p.234). The term ‘corruption’ come from Latin word called ‘corruption’ and it mean that bribe and destroy (Hornby, 2010, p.329). Ongoing time the forms and levels of corruption are mounted. As a result, various definitions for the term ‘‘corruption’’, have been given in the academic research and policy-relevant literature on corruption.

The level of ‘‘private’’ corruption can indeed be symptomatic for the general economic and political development of a society. Besides, all forms of ‘‘private’’ corruption can be destructive to the public morale and undermine the general trust and confidence in rules and regulations. However, most definitions of corruption will emphasize corruption as a state-society relationship because public sector corruption is believed to be a more fundamental problem than private sector corruption, and because controlling public sector corruption is a prerequisite for controlling private sector corruption (Jens et al 200).

On a grander scale, corruption in the private sector interferes with market mechanisms, resulting in economic losses through inefficiency and misallocation of resources (Argandoña, 2003). Furthermore, there is a risk of spill-over effects between the private and the public if the recruitment patterns include a continuous flow of employees between the public and the private sector, allowing bad practices and closed networks developed in the private sector to be transferred (Johannsen, Pedersen & Pivoras, 2015). These considerations are exacerbated by increasing difficulties in distinguishing the public sector from parts of the private sector following privatization or outsourcing of public services

The increasing attention of the media over the last two decades to corruption suggests that developing countries in particular are at a fragile stage. The Corruption Perception Index (CPI) has shown that developing countries are in need of effective mechanisms to combat corruption. In fact, more than 66% of the nations experience the ill effects of corruption, including a large proportion of the G20 countries (Enste & Heldman, 2017).

Corruption induced informality can also limit the growth of businesses. Firms that are forced to go underground do not have the same advantages as firms operating in the formal sector in terms of access to the formal financial system and public services. This situation limits their growth perspectives and diminishes their productivity. In addition, to remain unnoticed, firms operating in the informal sector have to deliberately limit their expansion to avoid attracting unnecessary attention. Dabla-Norris et al. (2008) find that firms in the informal sector are generally smaller and less productive than firms in the formal sector.

Johnston (1996) provides an important typology for the definition of corruption. He identifies two different groups in the literature on the subject. The first group (Nye, 1967; Friedrich, 1966; Van Klaveren, 1989; Heidenheimer, 1989) focuses on the behavioral aspects of corruption. These behavior-orientated researchers hold the opinion that corruption is the abuse of public office, power or authority for private gain. The second group defines corruption by roping in the relationship between and among the principal- agent-client relationships (Rose-Akerman, 1978; Klitgaard, 1988). These researchers pay more attention to the interactions between and among the parties involved: a principal, an agent and a client.

For instance, in their joint work Shah and Schacter (2004) defined Corruption as the exercise of official powers against public interest or the abuse of public office for private gains (Shah, 2007, p.234). Public sector corruption is a symptom of failed governance. Governance is defined as the norms, traditions, and institutions by which power and authority in a country are exercised.

Corruption is an important aspect of poor governance, and often defined as the abuse of public office for private gain. This is a widely used definition applied by the World Bank among others (World Bank 2007; FSA, 2010). This definition includes various forms of interaction between public sector officials and other agents. Money is often involved, such as in bribery or kickbacks for public procurement contracts. In other cases, however, the private gain can be non-monetary, as in cases of patronage or nepotism (Rashid, 2007; Blundo & Olivier de Sardan 2006). The definition also covers acts where there is no interaction with external agents or external agents are not explicitly implicated, such as the embezzlement of government funds, or the sale or misuse of government property.

Corruption and Fraud are two words that currently we hear more often. Both are on the rise in worldwide, and their methods are evolving to adapt to the development in technology. Is corruption a form of fraud? Or are these two different things? A review of the definition of the terms may offer an answer: A handbook published by the World Bank Group (Fraud and Corruption Awareness Handbook) Defines fraud and corruption as follows: “A fraudulent practice is any act or omission, including a misrepresentation, that knowingly or Recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.” “A corrupt practice is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.” An IIA Chicago Chapter presentation (Auditing for Corruption in Emerging Markets) provides the following explanation of the two terms:

**Fraud:** Deriving undue benefit by bypassing some controls or bending some rules. Fraud Schemes are used to commit corrupt activities:

- Asset Misappropriation
- Financial statement irregularities
- Corruption

**Corruption:** Takes place in the form of providing illicit benefits; harder to find; narrower scope than fraud.

- Bribery
- Embezzlement
- Extortion
- Influence Peddling
- Unlawful gratuity favor or commission
- Nepotism
- Illegal Political contribution

The Business dictionary differentiates between these two terms as follows: Fraud is misrepresenting yourself or something as something you or it is not. For example, if you use a

fake ID, you're committing fraud by misrepresenting yourself as someone else. Corruption is a broad term that can be applied to fraud, as well as other dishonest acts such as bribery, extortion, or embezzlement. The two can be used in a wide array of instances, but can apply specifically to business. Corporate leaders are often prosecuted for various fraudulent and corrupt acts, as well as political leaders. One thing we can, for sure, agree on: Fraud and Corruption are very bad practices and should be prevented at an early stage. (<http://waelbibi.blogspot.ca/2013/02/differences-and-similarities-between.html>)

Various typologies of corruption have been suggested. For the purposes of this paper, the commonly used distinction between political corruption (and state capture) and bureaucratic corruption is helpful. Political corruption takes place at the highest levels of political authority. It involves politicians, government ministers, senior civil servants and other elected, nominated or appointed senior public office holders (Fjeldstad and Isaksen, 2008). In other words, political corruption is abuse of office by those who make the rules of the game, e.g. decide on laws and regulations, and the allocation of resources in a society. These types of acts may include tailoring laws and regulations to the advantage of private sector agents in exchange for bribes, granting large public contracts to specific firms, or embezzling funds from the treasury (Hellman et al 2000a, 2000b; Moody-Stuart 1997; Doig and Theobald 2000).

Khan (2006) stated a highly complex phenomenon of corruption. The parties involved leave very little telltale in the form of irrefutable hard evidence. Most of the corruption takes place in an informal manner and under the dark cover of isolated contacts. At times it does not even require a spoken word. Mere eye contact can establish a relationship of corruption.

Vazquez et al. (2007, p.1) in their work concluded that there are countless types of corruption and many distinctions can be made based on the dynamics of the act (i.e., unilateral, multiparty), the agents involved (i.e., high-level officials, low-level officials, private agents), the size of the corrupt act (grand corruption or petty corruption), the budgetary functions affected (i.e., expenditures, revenues), the nature of the determinant involved (i.e., structure of incentives, institutional opportunities), and so on.



Auditors do not deal with some corruption types, such as political, social, or cultural corruption. Most of the time auditors can deal with corruption in government offices and in large public and private organizations that fall under the purview of the auditors' routine work (Khan 2006).

According to systemic approach, there is an initial need for a comprehensive anticorruption strategy that is strongly backed with political will determined to bear all its consequences. That strategy should be composed of institutional and administrative reforms on public-financial management and control system and should also ensure the involvement of civil society and citizens. Furthermore, since international cooperation would create fruitful circumstances to gain knowledge of successful and/or bitter experiences of other countries; to develop a mutual understanding of corruption and to take necessary measures in international law, contributions of international society should be taken into account at each and every step of the strategy. Consequently, systemic approach implies that lack of any level would lead to a loopholes causing to corruption (Kayrak, 2008,p.61).

#### **2.2.4 The Role of Performance Audit in Fighting Corruption**

According to Dye (2007), SAIs creates a preventive environment through strengthening financial management systems, identifying and correcting the weaknesses, and evaluating internal control systems to reduce the chance of fraud and corruption. Different countries in the public sector follow many different audit methodologies. Considering the literature, performance audit is evaluated as a more effective audit practice for fighting against corruption and improving the relations between government and citizens. Research by Abdullah (1993) illustrated that performance audits improve trust among government organizations, and improve the relationship between government and citizen. Also, many other researchers have concluded that performance audits may be used as tools to fight against corruption (Dye & Stapenhurst, 1998; Borge, 1999; Khan, 2006). The SAIs plays an important role in strengthening accountability and good governance by helping various governments to improve performance, enhance transparency, ensure accountability, fight corruption, promote public trust and foster the efficient and effective receipt and use of public resources for their citizenry (Odia, 2014). More importantly, INTOSAI's strategic plan for 2011- 2016 developed the guideline for performance audits to promote good governance and fight corruption.

The performance audit is used as a tool for evaluating the performance of managers based on outlined and achieved objectives. The performance audit concept is the same as performance management, which is used by program managers to plan, monitor, and evaluate how public resources are used to achieve public policy ends (Daujotait & Mačerinskien, 2008). In addition to examining financial accounts in performance audits, auditors develop specific performance criteria to assess the performance of management (Gerald, 2015). Meanwhile, Tadele (2012) argues that performance audit follows the performance accountability and performance improvement goals, while (Thompson, 1996; Adams, 1986) claim that the issued reports of performance auditors improve public sector performance because they address inefficiency and ineffectiveness as well as give the recommendation for improvement.

According to INTOSAI 300, “the main objective of performance auditing is to promote economical, effective and efficient governance. It also contributes to accountability and transparency”. Performance audit is considered to be one of the most effective means for improving performance and governance. Good governance occurs when governing bodies fulfill their accountability obligations to those whose interests they represent by reporting on their organization’s performance. (Odia. 2014)

The accountability concept has gone beyond accurate financial transaction records and bookkeeping; it refers to management’s corrective decision-making and action, as well as being answerable for each management decision. Thus, the growing expectation of stakeholders emerged as the performance audit in the 1970s. Audit reforms were oriented to make more responsive government through provision of better public service, and effective and efficient management of government (Funnell& Wade, 2012), that is to say, performance auditing evolved from accounting and financial auditing (Davis, 1990, 35) As the result of structural changes made for more accountable audits, the traditional rule-based and process-driven routine form of audit gradually changed to result-based accountability to achieve the desired outcomes by measuring the setting of performance targets and the achievement of those targets (Pollitt and Summa, 1995). Moreover, accountability is one of the components of good governance, and it enhances the legitimacy of a government’s performance (World Bank, 2004). Accountability in

performance audit does not only ensure fairness of financial accounts, but it also encompasses the accountability of management decisions and acts to citizens (Msoka, 2008).

Over the years, it became increasingly clear that a financial account of how much was spent did not tell an adequate story for accountability purposes as to how well money had been spent, or whether the value for money had been achieved. Something was needed to assess the managers and departments responsible for making spending and operational decisions, especially in light of ‘perceived concerns about the wasteful use of money and other resources’ (Gerald, 2015).

The term Corruption originated from the Latin word ‘Corruption’, which means bribe and destroy (Dye, 2007). Corruption is misusing public wealth to gain benefit in favor of the individual or particular groups (World Bank, 2004). Corruption has widespread social and economic consequences from the reduction of public revenues and shrinking the quality of public service, and the result adversely affects GDP growth and capital accumulation at the national level (Sundgren, 2009)

### **2.2.5 Internal Auditing: Policing vs. Value-added in fighting corruption**

Research suggests that a tension exists in the auditing field between what has been variously termed a managerial and administrative logic (Meyer and Hammerschmid, 2006), and the away fraud detection and corruption reporting towards client confidentiality and service (Puxty et al., 1994). In this ‘reinvention of auditing’ (Gendron et al. 2007) appears to be an increasing need for auditors to add value (Radcliffe, 1999), to the point where analysts now speak of auditing commercialization (cf., Cooper and Robson, 2006).

These changes and tensions might be expected to also characterize the field of internal audit in public sectors; indeed, they might be experienced more acutely within it. While internal auditors need freedom to choose their goals, it must be remembered that they work within contexts wherein their outputs are brokered (Raelin, 1989); which is to say that they work within ‘a field of weak autonomy’. Unlike their external counterparts, who typically report to an entity’s ‘principals’ (i.e., shareholders), internal auditors report to individuals more closely associated with its ‘agents’ (i.e., audit committee members), if not the agents themselves (i.e., managers).

This suggests that internal auditors are more deeply immersed in organizational politics, more frequently threatened by symbolic sanctions, and under stronger pressure to submit to and satisfy management's demands. As a result, and to put it in Rittenberg and Covalesski's (2001) terms, free-market or commercial ideology has the capacity to 'taint' the internal audit field, leading to new definitions of the internal auditor's work and potentially undermining her or his cultural and moral authority. Consequently, one needs to question the internal auditor's relative independence and the degree to which the practice of auditing is being compromised by actors who may not share the auditor's philosophical outlook.

The scope of modern Internal audit this time give more focus & take as core function to Performance audit. Since the last two decades or so, performance auditing became one of the main tasks of internal auditors. However, the majority of internal audit departments that serve government, private and not for profit organizations in the country do not conduct performance audit until now for various reasons. The scope of performance audit expands beyond the traditional functions of verification of financial controls and assessment of compliance with management policies. It includes the examination of the adequacy of management information system, resource using methods, operation procedures etc.

The area that internal audit can play a great role in mitigating corruption & fraud activities by critically evaluate these three E's.

Economy:

- Reduction of costs through better contracting.
- Reduction of costs through economies on usage of resources

Efficiency:

- Shorter waiting time
- Better access to information helping clients and other stake holders
- Improved productivity and asset utilization levels
- Remedying duplication of effort or lack of coordination

Effectiveness:

- Better identification/ justification of need
- Clear objective and policies
- Clear definition of priorities and better defined targets
- Better achievements of objectives

Today there is a great need for internal auditors to undertake performance audits so as to minimize the risk of corruption/Fraud of the company and enhance the performance of their organization. For those internal auditors in the private sectors, increased computation, the decentralization of operations as well as the interest of management to monitor the overall operations of the organizations and closing the gap for fraudulent activities has increased the number of internal audit findings in performance audit.

### **2.3 EMPERICAL REVIEW & KNOWLEDGE GAP**

Previous researchers have generally come to the conclusion that the performance audit methodology potentially improves the credibility of audit institutions, and potentially reduces the chance of irresponsibly using public resources, as well as curbing the chance of fraud and corruption. Since the development budget of Ethiopia is being funded by international communities, transparent and accountable expending the budget to uplift the economy situation of society will encourage the donor countries to extend their commitment to improving the life and livelihood of the Ethiopia people. Besides that, it strengthens the pillars of good governance and better service delivery to society.

Transparency for an auditor is to be able to see clearly from start to finish the detailed workings of a process, a task, a project or a contract (Keating, 2011, P. 23). By adapting the performance audit methodology, auditors can review all aspects of performance of audit clients. Performance audits have proved very effective in assuring that all resources are being spent in economic, effective, and efficient ways. In contrast to financial and compliance audits, the performance audit methodology lets the auditors discuss the regulatory and financial fairness of an audited, but also examines projects from the economy, efficiency, and effectiveness, which enable the inspecting offices to ask about each spent penny. According to Generally Accepted Government

Auditing Standards (GAGAS), performance audits involve a determination of the economy, efficiency, and effectiveness of government organizations, programs, activities, and functions, in addition to compliance with laws and regulation (Davis, 1990)

Many of the factors that lead SAIs successful claimed in various papers. For example, Financial Accountability & Anti-Corruption(FACT) Team of UK identify eight factors that affects audit conducted by SAI(Crown, 2005, p.28-37): legal framework of Independence, audit remit, access rights, reporting; leadership and strategy; governance of the SAI; adequacy of staff resources (the number and skills of staff available to the SAI); the adequacy of other key resources available to the SAI (finance, Office Space, corporate knowledge base(library), Utilities and IT and non-IT equipment); audit methodology used to deliver audit work such as National standards, INTOSAI standards and International Standards on Auditing (ISAs); relations with external stakeholder including PAC, audited bodies, MoF, the media, civil society and the general public; and the actual outcomes achieved by the SAI(timeliness, monitoring and follow Up).

Numerous factors that determine the success of SAI also specifically affect the value for money audit conducted. Of these, Dye and Stapenhurst (1998) stated that having a clear mandate, independence, adequate funding and staff, and the sharing of knowledge and experience are essential for SAI success.

White and Hollingsworth (1999) and Waring and others (2006) in their joint work mentions several key requirements to an effective audit function. These include organizational independence, a legal mandate, unrestricted access to information, sufficient funding, competent leadership, competent staff, stakeholder support, and professional audit standards. A few of these elements are present in some countries in Sub-Saharan Africa. Even the most advanced countries around the world will not have all of them fully in place (Waring and Morgan, 2007, p. 350-351).

Numerous researchers forwarded multitask of performance audit. For instance, Abdullah (1993) claim that performance audit can improve trust in government's institutions and organizations and strengthen the relationship between the governments and their citizens; Premchand (1993) and Jones and Pendlebury (2000) argue that performance audit promote more efficient and

effective public management, supporting initiatives aimed for producing clear objectives, means to assess them, and measurements of outputs or performance in relation to those objectives, so as to achieve the best use of resources and value for money; Al Athmay (2008) assert that the increasing growth of government expenditure makes performance audit understandable and necessary; Other researchers and well experienced Auditors argue that in many countries performance audit is used as a tool against corruption. For instance, Dye and Stapenhurst (1998), Borge(1999), Pope and Jeremy (2000) work indicated that performance audit play a central role in preventing and detecting corruption; ADB- OECD (2005) assert that in Maldives a mix of internal, external and performance audits conducted to deter and detect possible corruption; Blume and Voigt (2007) verify that performance or value-for-money auditing checks whether the citizens have received value for their money in less perceived levels of corruption; and, Mukasa (2010, p.5) claim that in Uganda Law Society (ULS) new anti- corruption project as tool of combating corruption value for money audit is in use.

Previous research works are not focusing on direct role of performance audit in fighting corruption especially in manufacturing sector. As a result, the current researcher may come to understand it & be interested to conduct the study on the area.

Finally, the issues of corruption and performance audit are global hot issues, the research method and the findings used in this study may have application to other countries. The next chapter shows the details of the research method in respect of the identified research problem.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

Research methodology is a blue print for the study and describes an approach and techniques for studying a research topic. Consequently, the study investigates how the research was carried out. It involved a road map for the collection, measurement and analysis of data.

#### **3.2 DESCRIPTION OF THE STUDY AREA**

The study was conducted in Addis Ababa, Ethiopia at Brick Products Processing Share Company. The company has two branches locates in Burayu town. Brick Products Processing Share company primarily established by Ethiopian, Italian, Grecian investors. In 1969 E.C. five different factories mean Burayu Brick Factory, Ethio Brick Factory, Addis Brick Factory, Marble Factory & Brichiko Factory integrates in the name of “Brick Marble Unit”.

#### **3.3 RESEARCH DESIGN**

Research design is a general term that covers a number of separate but related issues associated with a research study (Blaxte 2010, p. 65). Ornstein (2013, p. 43) defined research design as a strategic framework for action that serves as a bridge between research questions and the execution or implementation of the research. Saunders & Lewis (2014, p. 63) outlined different types of research methodology into categories as exploratory, descriptive and explanatory. This study employed a descriptive research design. To get the first hand information, case study methods were applied to get a depth contextual analysis of the role of internal auditors practicing performance audit. Descriptive research design was preferred in order to assess and describe the role of internal auditors in detecting & protecting corruption (fraud), believing that the words chosen to directive the roles of leaders matter a lot in introducing and sustaining changes within the organization.

#### **3.4 RESEARCH APPROACH**

The study problem was answered through a qualitative approach in order to reduce the limitation and increase the quality and flexibility of the data (Robinson 1998, p.32).



### **3.5 POPULATION & SAMPLE SIZE**

#### **3.5.1 Target Population**

Creswell (2013, p.48) has defined a target population as gathering of individuals and items that are the main emphasis of a scientific enquiry. According to Welman et al. (2005, p. 48). A study population may be individual persons, groups and organizations from which the values of the variables of interest could possibly be determined. The target populations included in this study were taken mainly from head office staffs involved in audit, finance & sales activities. And from the two factories and head office, stores & supplies departments within the company. The study specifically focused on Internal Audit Head, Internal Auditors, (Performance auditors, Internal Audit compliance & Financial audit), finance department Staffs (finance department head, senior accountant, finance department accountant, finance department, Cost accounts) and others supporting staffs.

#### **3.5.2 Sampling Technique**

Sampling design and the sample size are important for establishing the representativeness of the sample in terms of generalizability of the subsequent findings to the entire population of interest (Veal 2005, p.44). Sampling is the process of selecting a sufficient number of members of the population of interest, which can be done purposefully or randomly.

For this study convenient sampling techniques was applied in selecting different level leaders in the company. And purposive sampling is used in order to reach a purpose (understand performance audit & corruption concepts) in mind. One of the first things the researcher is likely to do is to verify that the respondent meet the criteria for being in the sample, purposive sampling can be useful in situations where a researcher need to reach a targeted sample. From the total 26 questionnaire distributed 25 were returned, this represented a 97% response rate. Through convenient sampling, the researcher was in a position to access different level managers who can be easily accessed for the required data collection.

### **3.6 DATA SOURCES**

The researcher used primary and secondary data collection methods. Standard questionnaire was employed as a primary data gathering mechanism and secondary data was collected from annual reports, journal articles, books, online sight and others. Data related to organizational level

variables were collected from a variety of sources such as financial records, activity and financial reports and surveys of Chief Executive Officers (CEO), who are presumed to be representing of their company.

### **3.7 DATA GATHERING TOOLS/TECHNIQUES**

The data for this study were gathered using both primary and secondary data collection techniques. The primary data will be collected using different types of questionnaires formulated in open and close-ended questions, for each target group, and structured interview will be used as well. The secondary data were obtained by referring various documents.

### **3.8 METHOD OF DATA ANALYSIS**

The data was analyzed by computer Statistical Package software for Social Sciences version 20. Data cleaning allows evaluating the impact of missing data, identifies outliers, and tests for the assumptions underlying most multivariate techniques. The aim of these data examination procedures is elimination of any potential for introducing biases into the results.

Following data collection from the employee at the bricks processing sha.co at different level (see appendix 2 of target group list), editing of the data was undertaken in order to check the omission, completeness, and consistence of the data. Editing is a part of the data processing and analysis stage (Zikmund 2003, p.53). There were no missing data for all measurement items in the constructs for the conceptual model and general information section.

Coding was used to allocate numbers to each answer (Malhotra 1996, p.39) and facilitates the transfer of data from the questionnaire to SPSS version 20. Coding can be done before the questionnaire is answered (pre-coding) or after (Devaus 1995, p.23). In this thesis, the coding procedure was conducted by establishing a data file in SPSS, and all measurement items were all pre-coded with numbers (see survey questionnaire in Appendix 1).

Before running further statistical analysis, screening of data and variables were conducted to make sure they are reliable and valid for testing causal theory because the estimation methods used assume specific conditions, and the violation of these assumptions leads to inappropriate solution (Kline 2010, p.19). In this section, the data were examined from two different perspectives: i.e. missing data analysis and outliers and normality.

In this section, the level of missing data was determined on a case and variable basis and then for diagnosing the randomness of the missing data process. The results have shown that all the respondents were answer all the questionnaire items in all cases and variables

### **3.9 ETHICAL CONSIDERATION**

Ethics in social studies refers to a code of conduct and adherence to expected social norms and behaviors while conducting research. Ethical conduct should also be reflected in the behavior of the researchers who conduct the investigation, the participants who provide the data, the analysts who provide the results and the presentation of the study findings (Veal 2005, p.66). Ethical norms must be respected in each step of the research process, including data collection, data analysis and reporting, and even in the dissemination of study findings, whether through conference presentations and scientific publications, or publishing information on the internet (Sekaran 2000, p.55). As the participants in this study were employees of different organizations at different level, it was essential that all individuals were treated fairly and ethically throughout the study. Of equal importance was ensuring that the information they provided was safe guarded and treated as confidential, in line with business ethics and code of conduct. In this study, in order to ensure that all ethical standards and requirements were met, the research method, survey procedure, consent form, ethical application, and information sheets to participants were submitted. Various aspects of ethical considerations have already been covered in the study. One of the primary responsibilities of the researcher was treating the information given by the respondents as strictly confidential and guarding their privacy. To ensure that all respondents understood the extent of their involvement in the study and how the information they shared would be subsequently used, the purpose of the research was explained in the covering letter (information sheet to participants) that accompanied the mailed questionnaires.

### **3.10 VALIDITY AND RELIABILITY TEST**

The content validity was assured by using multiple sources of data (literature such as previous studies, expert interviews) to develop and refine the model and measures. The construct validity which deals with the consistency of the questions was assured by structuring the questionnaire according to the specific objectives. To ensure internal validity, the research was builds on explanations drawn from supply chain management theory and existent literature, and addresses

rival explanations for the results. Pilot study and practitioners and researchers review were conducted to confirm that the findings are generalizable for external validity. The reliability was tested by using the Cronbach's Alpha coefficient value. Cronbach Alpha should be over 0.70 to produce a reliable scale and any scale with Cronbach Alpha less than this standard should be eliminated (Sekaran 2005, p. 123). The Cronbach's Alpha coefficient of the study was 0.879. George and Mallery (2003), states that at least a value of 0.7 is recommendable and therefore the instrument was accepted as highly reliable.

## **CHAPTER FOUR: RESULTS AND DISCUSSION**

### **4.1 INTRODUCTION**

This chapter presents results and related analysis of the data on the role of performance audit in fighting corruption the case of bricks product processing sh. co. Besides, the chapter presents the findings of the study and discussions on the outcomes. The findings were intended to answer the study's research questions. The data analysis was conducted using a triangulation of techniques: descriptive analysis. The data was analyzed using Statistical Package for Social Science (SPSS v.20). Based on the methodologies, research design and tools of the study the data was collected from 34 respondents. From the total 26 questionnaire distributed 25 were returned, this represented a 97% response rate. This is a reliable response rate for data analysis as Mugenda (2003, p.91) pointed that for generalization a response rate of 50% is adequate for analysis and reporting, 60% is good and a response rate of 70% and over is excellent.

### **4.2 BASIC DATA**

#### **4.2.1 Position of the respondent in the organization**

Participant job position is the variable which was considered in the study. The researcher included the job position in the study to see whether the study included participants from different level.

The result from table 9, indicated that the majority of the respondents 57.7% (n=15) were high level, whereas 34.6% (n=9) were middle level. The rest of the participants were low level position 7.7% (n=2). In terms of the respondent's position in the company, the majority of the respondents were high level. Consequently, the respondents were appropriate to collect data about performance audit because they were in a suitable and critical job position. Besides, the study was incorporated participants from all levels to see their diversified perceptions towards the subject matters.

Table: 4.1 Position of the respondent in the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid High level	15	57.7	57.7	57.7
Valid middle level	9	34.6	34.6	92.3
Valid low level	2	7.7	7.7	100.0
Valid Total	26	100.0	100.0	

*Source; Survey Results and Own Computation, 2019*

#### 4.2.2 Respondents Department

The researcher requested respondents to indicate the working division in which they were working in the company. Majority (50%) of the respondents were working at different positions within the company, 11.5% were Internal audit, compliance and finance audit, 7.7% were performance auditor, internal audit while 7.7% of the respondents were serving at Head of finance head. This implies that all units that were targeted by the study were involved and that the finding is reliable.

Table: 4.2 Respondents department

	Frequency	Percent	Valid Percent	Cumulative Percent
Head of internal audit	1	3.8	3.8	3.8
performance auditor, internal audit	2	7.7	7.7	11.5
Internal audit, compliance and finance audit	3	11.5	11.5	23.1
Finance head	1	3.8	3.8	26.9
Finance department senior accountant	2	7.7	7.7	34.6
Finance department accountant	2	7.7	7.7	42.3
Finance department cost accounts	2	7.7	7.7	50.0
others	13	50.0	50.0	100.0
Total	26	100.0	100.0	

*Source; Survey Results and Own Computation, 2019*

#### 4.2.3 Education level of the respondents

As summarized in the table 11, majority of the respondents (73.3 %) were qualified in first degree and thirty seven (6) respondents i.e. 23.1 % were qualified in master degree. This is an

indication that the majorities of the respondents have bachelor degree which enables them to provide more reliable information for this study and enable the respondents to have idea of the objective of the study.

Table: 4.3 Education levels of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	1	3.8	3.8	3.8
Degree	19	73.1	73.1	76.9
Msc	6	23.1	23.1	100.0
Total	26	100.0	100.0	

*Source; Survey Results and Own Computation, 2019*

#### 4.2.4 Experiences of the Respondents

Respondents experience is critical to obtain a wise and objective response. The table below depicts the experience of respondents in target company. The majority of the respondents were worked on the sector for 5 to 10 years, comprising 73.1 % (n=19) of the total participants. Seventy-nine (4) respondents i.e. 15.4 % has been within the organization for 5 and less years, whereas only 11.5% (n=3) were worked for 15 and more years.

Table: 4.4 Experiences of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Less or equal 5	4	15.4	15.4	15.4
Between 5 – 10	19	73.1	73.1	88.5
Above 15	3	11.5	11.5	100.0
Total	26	100.0	100.0	

*Source; Survey Results and Own Computation, 2019*

### **4.3 DESCRIPTIVE ANALYSIS**

This section explains and discusses the results of findings based on the analysis done on the data collected. The results of the study were discussed by triangulating the different source of results: questionnaire results, interview and document review results. Consequently, these sections investigates and analyzes the necessary assumptions for further statistical analysis and then present the results of descriptive analysis and ANOVA analysis. The discussion attempts to accomplish the objectives of the study and answer the research questions.

Descriptive statistics is the term given to the analysis of data that helps to describe, show or summarize data in a meaningful way. It is very important because if we simply presented our raw data it would be hard to visualize what the data was showing, especially if there was a lot of it (Kline 2010). Descriptive statistics therefore enable us to present the data in a more meaningful way, which allows simpler interpretation of the data.

Measures of central tendency describe the central position of a frequency distribution for a group of data (Kline 2010). The central position is described by using a number of statistics, including the mode, median, and mean. Measures of spread helps to summarize a group of data by describing how spread out the scores are. To describe this spread, a number of statistics are available to us, including the range, quartiles, absolute deviation, variance and standard deviation. The study was focused on mean and standard deviation to describe central position and data spreading pattern.

As indicated in the previous chapter, survey was the main strategy of inquiry adopted by the study to investigate the role of performance audit in fighting corruption. To this end, the results obtained from the survey were analyzed using Statistical Package for Social Sciences (SPSS Version 20.0) program through descriptive statistics. The descriptive statistics part was analyzed using means, standard deviation, and percentage.

#### **4.3.1 Current level of corruption in the company**

Corruption, although long in existence (Klitgaard, 1988; Othman et al., 2014), has become a global issue, spreading across borders and resulting in poverty through its social, economic and



political presence (Enste & Heldman, 2017; Otor & Eiya, 2013). The increasing attention of the media over the last two decades to corruption suggests that developing countries in particular are at a fragile stage. Table 4.5 indicated that 65.4 % of people in the survey consider corruption as very serious problem in the company and in the sector. 30.8% of the respondent indicated that corruption is a series phenomenon and only one respondent (3.8%) mentioned about nonoccurrence of corruption in the sector.

Table 4.5 Current level of corruption in the company

	Frequency	Percent	Valid Percent	Cumulative Percent
Very series	17	65.4	65.4	65.4
Series	8	30.8	30.8	96.2
Not series	1	3.8	3.8	100.0
Total	26	100.0	100.0	

*Source; Survey Results and Own Computation, 2019*

#### **4.3.2 Role of Audit types in fighting corruption**

The literature indicates that good auditing has a significant impact on domestic levels of corruption (Gustavson & Sundström, 2016), as it is a cornerstone and an essential element in fighting corruption in the public sector, the people also expect the auditors to play an efficient role in reducing, if not eradicating, corruption (Khan, 2006; Otor & Eiya, 2013). This expectation arises from the assumption that the audited information is reasonably accurate, complete and unbiased. Auditing represents a crucial component of accountability as it legitimizes the information on which financial and formal accountability relies (Power, 1997). Hence, the audit profession helps organizations in the public sector to achieve accountability and integrity, improve operations, and instill confidence among citizens.

##### **A. Role of Financial audit in fighting corruption**

While financial audits sometimes reveal frauds, they often do not, because they are not designed to do so. It is possible to stumble upon fraud and corruption while examining the financial records for purposes of providing an attest opinion. If auditors find fraud or corruption, they are

bound to report on the circumstances, albeit not necessarily in the audit opinion, which might be a clean opinion. The purpose of financial audits is to give assurance that the financial statements are not misleading and fairly present the economic transactions of the enterprise in accordance with an accounting framework. Detection of fraud is not a primary objective of financial auditing. Table 4.6 indicated that the contribution of financial audit in fighting corruption is non-significant at 65.4 % (N=17) and only 34.6% of the respondents agreed on the significant contribution of financial audit in fighting corruption.

Table 4.6 Role of Financial audit in fighting corruption

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Significant	9	34.6	34.6	34.6
Valid Non-significant	17	65.4	65.4	100.0
Total	26	100.0	100.0	

Source; Survey Results and Own Computation, 2019

### **B. Role of Compliance audit in fighting corruption**

Table 4.7 indicated that the contribution of compliance audit in fighting corruption is non-significant at 65.4 % (N=17) and only 34.6% of the respondents agreed on the significant contribution of compliance audit in fighting corruption. Corruption are often identified though compliance audits, which are designed to ensure that laws, rules, and regulations are observed. Compliance audit objectives relate to compliance criteria established by laws, regulations, contract provisions, grant agreements, and other requirements that could affect the acquisition, protection, and use of the entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers.

Non observance may indicate a fraudulent transaction, although not all cases of nonobservance are fraudulent. Some transactions identified could reflect breakdowns in internal controls, not fraudulent transactions. Such findings would be reported to management. Tests can be designed to ensure that enterprise financial policies are implemented in accordance with expectations. Deviations would be reported to management. Where a transaction or a series of transactions is revealed to be contrary to the law, such transactions are reported to management and possibly to an enforcement authority.

Table 4.7 Role of Compliance audit in fighting corruption

	Frequency	Percent	Valid Percent	Cumulative Percent
Significant	9	34.6	34.6	34.6
Valid Non-significant	17	65.4	65.4	100.0
Total	26	100.0	100.0	

*Source; Survey Results and Own Computation, 2019*

### **C. Role of Performance audit in fighting corruption**

Table 4.8 indicated that the contribution of performance audit in fighting corruption is significant at 84.6 % (N=22) and only 15.4% (N=4) of the respondents agreed on the non-significant contribution of compliance audit in fighting corruption. Performance audits aim to provide information and assurance about the quality of the management of resources. They assess the economy, efficiency, and effectiveness of the management of the sector entities by examining resource use, information systems, delivery of outputs, and outcomes, including performance indicators, monitoring systems, and legal and ethical compliance.

Performance audits are designed to compare operational performance against norms and predetermined criteria. They can therefore be designed to include some references to laws and regulations and to assist in identifying fraud and corruption. Because performance audits focus on operational issues, especially in high risk areas, it is not uncommon for auditors to notice some activities that are not in accordance with rules and regulations.

Table 4.8 Role of Performance audit in fighting corruption

	Frequency	Percent	Valid Percent	Cumulative Percent
Significant	22	84.6	84.6	84.6
Non-significant	4	15.4	15.4	100.0
Total	26	100.0	100.0	

*Source; Survey Results and Own Computation, 2019*

### 4.3.3 Cause for of diseconomy (Uneconomic), inefficiency and ineffectiveness

Audit of the efficiency on utilization of human, financial and other resources, including examination of information systems, performance measures and monitoring arrangements, and procedures followed by audited entities for remedying identified deficiencies. Audit of the effectiveness of performance in relation to achievement of the objectiveness of the audited entity, and audit of the actual impact of activities compared with the intended impact

The finding indicated that the major cause for diseconomy, inefficiency and failure to achieve results of audits are due to existence of corruption (57.7%, N=15). Complex and difficult environmental factors and unintentional human negligence are the second and the last factor for diseconomy, inefficiency and ineffectiveness at 23.1% and 19.2% respectively. The result indicated that the audit of the effectiveness and efficiency of performance in relation to the achievement of the objectives of the audited were discouraging due to the existence of corruption in the sector.

Table4.9 Cause for of diseconomy, inefficiency and failure to achieve results of audit

	Frequenc y	Percent	Valid Percent	Cumulative Percent
Unintentional human negligence	5	19.2	19.2	19.2
Complex and difficult environmental factors	6	23.1	23.1	42.3
Might be due to existence of corruption	15	57.7	57.7	100.0
Total	26	100.0	100.0	

*Source; Survey Results and Own Computation, 2019*

### 4.3.4 Performance audit as a tool against corruption

Jones and Pendlebury (2000) Stated that performance audit promote more efficient and effective public management, supporting initiatives aimed for producing clear objectives, means to assess them, and measurements of outputs or performance in relation to those objectives, so as to achieve the best use of resources and value for money; Al Athmay (2008) assert that the

increasing growth of government expenditure makes performance audit understandable and necessary.

Performance audits assess the efficiency and effectiveness of companies' use of resources. Performance auditing generally follows one of the following three approaches: a system-oriented approach, which examines the proper functioning of management systems; a result-oriented approach, which assesses whether outcome or output objectives have been achieved as intended or programs and services are operating as intended; and a problem-oriented approach, which examines, verifies and analyses the causes of particular problems or deviations from criteria.

#### 4.3.5 Perceptions of respondents to performance audit as a tool against corruption

Private corruption can take many forms. Goel et al. (2015) draw examples in which private vendors bribe procurement officers at other businesses to secure contracts; restaurants offer free meals to secretaries who send catering orders their way; and hotel staff gets kickbacks from cab companies they patronize. Argandoña (2003) mentions commissions, gifts and favors, and facilitation payments, and adds another dimension by distinguishing according to initiative. ADBOECD (2005) assert that in Maldives a mix of internal, external and performance audits conducted to deter and detect possible corruption.

73.1 % of the respondents agreed on performance audit as a tool against corruption and only 26.9 % (N=7) of the respondents were disagree on the contribution of performance audit in fighting corruption. The result is supported by prior research conducted by Gong in Late 1990s in China(also including Hong Kong) an 'economic responsibility audit' (ERA) and performance audit play a significant development in china and used as a tool against corruption(Gong, 2009).

Table 4.10 Perceptions of respondents to performance audit as a tool against corruption

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	19	73.1	73.1	73.1
No	7	26.9	26.9	100.0
Total	26	100.0	100.0	

*Source; Survey Results and Own Computation, 2019*

#### **4.3.6 Performance audit as evidence to existing corruption**

A properly planned and executed performance audit would highlight areas of diseconomy, inefficiency and failure to achieve results and impact. Khan (2006, p.19) stated Performance auditing can, however, provide some clue to corruption if it exists. For this purpose, the

Table 4.11 Performance audit as evidence to existing corruption

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	18	69.2	69.2	69.2
No	8	30.8	30.8	100.0
Total	26	100.0	100.0	

*Source; Survey Results and Own Computation, 2019*

The table above indicated that 69.2 % of the respondents agreed that Performance audit gives a clue for the existence of corruption and the rest of the respondents were disagreeing on the issue. The overall audit approach is a central element of any audit. Performance audit determines the nature of the examination to be made. It also defines the necessary knowledge, information and data and the audit procedures needed to obtain and analyze them.

#### **4.3.7 Experience of the company on performance audit as tool against corruption**

Corruption has widespread social and economic consequences from the reduction of company revenues and shrinking the quality of organization service, and the result adversely affects GDP growth and capital accumulation at the national level (Sundgren, 2009). Corruption has been identified as one of the most important constraints to private sector development.

Different countries in the public sector follow many different audit methodologies. Considering the literature, performance audit is evaluated as a more effective audit practice for fighting against corruption and improving the relations between government and citizens. Research by Abdullah (1993) illustrated that performance audits improve trust among government

organizations, and improve the relationship between government and citizen. Also, many other researchers have concluded that performance audits may be used as tools to fight against corruption (Dye & Stapenhurst, 1998; Borge , 1999; Khan, 2006).

The respondents replied that performance audit plays an important role in strengthening accountability and good governance by helping the company to improve performance, enhance transparency, ensure accountability, fight corruption, promote public trust and foster the efficient and effective receipt and use of the company resources.

The participants responded that performance audit is used as a tool for evaluating the performance of managers based on outlined and achieved objectives. In addition the company used for examining financial accounts in performance audits, auditors developed specific performance criteria to assess the performance of management.

Table 4.12 Experience of the company on performance audit as tool against corruption

	Frequency	Percent	Valid Percent	Cumulative Percent
No	26	100.0	100.0	100.0

*Source; Survey Results and Own Computation, 2019*

Table 4.12 indicated that the industry (100%, N=26) not used the findings of performance audit in struggle against corruption. This shows that, harmonized approach of using such audit is not clearly adopted by the company. Other research also indicated that. Since 1992 performance audit practice emerged in Ethiopia. However, due to probable problems faced, it is not developed as other countries like Botswana.

The table below indicated that, lack of experience and trends, access to get the performance audit report and strategy for joint cooperation are the main reasons for poor performance for efficient utilization of performance audit report.

Table 4.13 Reasons of the company not used findings of performance Audit report

		Frequency	Percent	Valid Percent	Cumulative Percent
Lack of experience and trends	Yes	20	76.9	76.9	76.9
	No	6	23.1	23.1	100.0
No access to get the performance audit report	Yes	20	76.9	76.9	76.9
	No	6	23.1	23.1	100.0
Absence of formal cooperation	Yes	16	61.5	61.5	61.5
	No	10	38.5	38.5	100.0
No strategy for joint cooperation	Yes	20	76.9	76.9	76.9
	No	6	23.1	23.1	100.0
Lack of resource (man power, financial, information and material)	Yes	16	61.5	61.5	61.5
	No	10	38.5	38.5	100.0
Other	Yes	19	73.1	73.1	73.1
	No	7	26.9	26.9	100.0

*Source; Survey Results and Own Computation, 2019*

#### **4.4 JOINT DUTY OF THE MANAGEMENT, EXTERNAL AUDIT & INTERNALAUDIT**

The occasional detection of corruption by auditors is important because the perceived risk of getting caught is an important factor in deterring people from engaging in fraudulent behavior, such as corruption (Wells, 2002). Internal and external auditors should therefore consider what evidence the different types of corruption may leave and use this information in testing for corruption.

The company used internal auditors frequently to detect corruption and other types of fraud, external auditors do so less often. The reason for this is that the work of external auditors is guided by the assessment of risk and materiality and is focused on the detection of material misstatements in financial statements. If corruption is not perceived to result in material misstatements, external auditors are not likely to focus their work on detecting corruption.



The internal auditors in the company are provided recommendations for improvement in those areas where opportunities or deficiencies are identified. While the management of the company is responsible for establishing internal controls, the internal audit activity provides assurance to management, the audit committee and Board of Directors that internal controls are effective and working as intended. Auditing is a central element of any accountability system, as it verifies and legitimizes the information on the basis of which organizations are to be judged (Power 1997). The internal auditors of the companies are performed well, therefore help the stakeholders of the company to act in accordance with the principles of accountability and integrity, improve their performance and earn the confidence of the partners.

Their findings suggest that performance auditing has a positive role on levels of corruption in the share company. Besides the study found several management factors that have a positive role in reducing corruption in the sector, including the independent from the government, the professionalism of auditing through acquiring staff with the appropriate skills and education, and communicating the audit results to the public.

The company corporate governance frameworks established internal controls based on the board's policies. Consequently, some independent monitoring of internal controls were applied to ensure that policies are actually known and followed, that internal controls are established and executed according to policies and that eventual breaches are appropriately sanctioned. Monitoring internal control systems has become one of the key tasks of internal auditing in the company and the existence of an internal audit in the company helps in the prevention of corruption. The focus of internal auditing on corruption is also important because many of the corruption schemes may involve management. Management is often in a position to override internal controls designed to prevent corruption and other types of fraud. Thus, particular controls preventing management overrides are needed (IFAC, 1999).

#### **4.5 CHALLENGES IN AUDIT WORK**

The company faced different challenges in the introduction and effective functioning of a performance audit function in the sector includes corruption, poverty, poor governance, poor infrastructure, and a continuous brain drain. The other challenges faced with conducting

performance audit the existence of a few key requirement elements to an effective audit function. These include organizational independence, a legal mandate, unrestricted access to information, sufficient funding, competent leadership, competent staff, stakeholder support, and professional audit standards.

The inconspicuousness of corruption is the other challenge of the auditors but auditors can point out where opportunities for corruption exist, they cannot play a role in detecting corruption because its perpetrators normally conceal any trace in the official records. Albrecht et al. (2012) state that in detecting fraud, auditors must help in identifying indicators or symptoms of fraud (in other words known as red flags) and investigate, such indicators in order to find out whether those symptoms originate from actual fraud or were caused by other factors. However, it is unfortunate that several fraud symptoms often go unnoticed, while those that are identified are not always pursued vigorously. It is important to state that many frauds would have been detected earlier if their symptoms were investigated earlier.

Complexities and political sensitivities are the other challenge in the era of auditing for fighting corruption within the company. There are major complexities in the company frameworks for fighting corruption through auditing and several factors which are of importance in conducting anti-corruption operations. These are manifested in the different types of corruption that can take place, the different factors and driving forces responsible for such different types of corruption and the different impact of such corruption has on employees. In addition, corruption can manifest itself differently across the various sectors of private companies, which adds to the complexities of conducting a performance audit on fighting corruption. There may be multiple agencies involved in the fight against corruption.

Respondents suggests that a tension exists in the auditing field between what has been variously termed a managerial and administrative logic and the away fraud detection and corruption reporting towards client confidentiality and service.

#### **4.6 CORRUPTION PREVENTION METHODS**

According to information released by Transparency International Index AFROSAI-E expressed the rank of member countries against corruption in its web address. Hence, Ethiopia scored 2.7

and ranked 14th among 23 of AFROSAI-E member and 120th among 180 assessed countries (Sundgren 2011). Taking into account corruption in Ethiopia, the rate of corruption has reached the looting level in the last one decade

Respondents replied that improving the technical skills of Auditors is the essential way to overcome corruption problems. In addition, they recommend that creating a preventive environment through strengthening financial management systems, identifying and correcting the weaknesses, and evaluating internal control systems helps reduce the chance of fraud and corruption. Corruption in the private sector takes many forms and has consequences for firms and society. It is in the public interest to reduce corruption in the private sector, but changing peoples' behavior is not an easy task.

The respondent also pointed out that civil society can play a constructive role in supporting private auditors in exercise oversight of share companies. Civil society can engage with audit processes in a number of ways, in conducting independent audits or participating in private audits. The respondent also showed that risk management is also the other preventions mechanisms to alleviate the problem because risk management helps to manage the risk of engaging in corrupt practices. This may be done by identifying the areas in which corruption may occur, assessing the likelihood and impact of such corruption and establishing and monitoring internal controls to prevent corruption.

Table 4.14 indicated that, involving private sector and media, doing with watch dog agency-ombudsman and supreme audit institutions and public participation and democratic process are the means of integrity system in corruption prevention with in the share company. But the company ignored the establishment of national anti-corruption programs and strategies (E.g. Ethical code, disclosure of income and assets, improved procurement procedures) and creation of international cooperation and involvement of civil society.

Table 4.14 Corruption Prevention methods

		Frequency	Percent	Valid Percent	Cumulative Percent
Establishing national Anti-corruption programs and Strategies (Ethical code, disclosure of income and assets, improved procurement procedures)	used	2	7.7	7.7	7.7
	Not used	24	92.3	92.3	100.0
Doing with watch dog agency-ombudsman and Supreme Audit Institutions	used	15	57.7	57.7	57.7
	Not used	11	42.3	42.3	100.0
Public participation and democratic process	used	18	69.2	69.2	69.2
	Not used	8	30.8	30.8	100.0
Participating civil society	used	5	19.2	19.2	19.2
	Not used	21	80.8	80.8	100.0
Accountability of Judicial process	used	22	84.6	84.6	84.6
	Not used	4	15.4	15.4	100.0
Participating media	used	23	88.5	88.5	88.5
	Not used	3	11.5	11.5	100.0
Involving private sector	used	19	73.1	73.1	73.1
	Not used	6	23.1	23.1	96.2
Creating international cooperation	Used	0	0	0	0
	Not used	26	100.0	100.0	100.0
Other	Used	0	0	0	0
	Not used	26	100.0	100.0	100.0

Source; Survey Results and Own Computation, 2019

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 INTRODUCTION**

This chapter presents the summary of the data findings on the role of performance audit in fighting corruption, besides conclusion and recommendation are drawn there to. The chapter is therefore structured into summary of findings, conclusions, recommendations, limitation of the study and areas for further research.

### **5.2 SUMMARY OF FINDINGS**

The government of the Federal Democratic Republic of Ethiopia (FDRE) clearly recognizes that corruption hinders development, democratization, and good governance endeavors. Hence, it has been striving to prevent and combat this socioeconomic evil by designing various strategies. Encouraging results have been registered in the private and public organizations at the national scale. Nevertheless, it is the strong conviction of the government that the anticorruption struggle should continue in a strengthened manner to attain better results.

The analysis result depicts that, corruption is detected during all three types of audit: financial, compliance and performance. The primary purpose of financial audits is not to detect corruption but to ensure that financial statements are not misleading and reflect an organization's genuine economic transactions and the study indicated that the contribution of financial audit in fighting corruption is non-significant at 65.4 % (N=17) and only 34.6% of the respondents agreed on the significant contribution of financial audit in fighting corruption. Similarly, compliance audit in fighting corruption is non-significant at 65.4 % (N=17) and only 34.6% of the respondents agreed on the significant contribution of compliance audit in fighting corruption. The study depict that the contribution of performance audit in fighting corruption is significant at 84.6 % (N=22) and only 15.4% (N=4) of the respondents agreed on the non-significant contribution of compliance audit in fighting corruption.

Having said that, inaccurate or incomplete statements can indicate fraud, embezzlement or corruption. Corruption is more often revealed through compliance audits, which are designed to ensure the legality

of financial transactions and verify that these comply with existing laws, rules and regulations. Breaches of laws and regulations may indicate fraudulent or corrupt activities. Similarly, performance audits that assess the management of public resources can be designed to include some references to laws and regulations and thereby help identify fraud and corruption.

The result showed that, good quality auditing has a contribution in reducing levels of the sector corruption and higher quality auditing standards in the private sector had a pronounced effect on reducing corruption. This is supported by another study based on survey data from over 100 countries, which found that where audits are conducted independently and professionally, there is a significant impact in reducing corruption (Gustavson and Sunstrom 2016).

The study revealed that that 65.4 % of people in the survey consider corruption as very serious problem in the company and in the sector. 30.8% of the respondent indicated that corruption is a series phenomenon and only one respondent (3.8%) mentioned about nonoccurrence of corruption in the sector.

The finding indicated that the major cause for diseconomy, inefficiency and failure to achieve results of audits are due to existence of corruption (57.7%, N=15). Complex and difficult environmental factors and unintentional human negligence are the second and the last factor for diseconomy, inefficiency and ineffectiveness at 23.1% and 19.2% respectively. 73.1 % of the respondents agreed on performance audit as a tool against corruption and only 26.9 % (N=7) of the respondents were disagree on the contribution of performance audit in fighting corruption. The result is supported by prior research conducted by Gong in Late 1990s in China (also including Hong Kong) an 'economic responsibility audit' (ERA) and performance audit play a significant development in china and used as a tool against corruption (Gong, 2009).

The respondents replied that performance audit plays an important role in strengthening accountability and good governance by helping the company to improve performance, enhance transparency, ensure accountability, fight corruption, promote public trust and foster the efficient and effective receipt and use of the company resources. The study indicated that, lack of experience and trends, access to get the performance audit report and strategy for joint

cooperation are the main reasons for poor performance for efficient utilization of performance audit report.

Their findings suggest that performance auditing has a positive role on levels of corruption in the share company. Besides the study found several management factors that have a positive role in reducing corruption in the sector, including the independent from the government, the professionalism of auditing through acquiring staff with the appropriate skills and education, and communicating the audit results to the public. The company faced different challenges in the introduction and effective functioning of a performance audit function in the sector includes corruption, poverty, poor governance, poor infrastructure, and a continuous brain drain.

Respondents replied that improving the technical skills of Auditors is the essential way to overcome corruption problems. In addition they recommend that creating a preventive environment through strengthening financial management systems, identifying and correcting the weaknesses, and evaluating internal control systems helps reduce the chance of fraud and corruption.

### **5.3. CONCLUSIONS**

Based on the study research findings, the researcher recommends the following:

- Corruption is a very serious problem in the company but the private sector financial auditing has generally neglected corruption as a potential source of material errors in financial statements,
- Performance audit plays an important role in strengthening accountability and good governance by helping the company to improve performance, enhance transparency, ensure accountability, fight corruption, promote public trust and foster the efficient and effective receipt and use of the company resources.
- Corruption, poverty, poor governance, poor infrastructure, and a continuous brain drain are the challenges in the introduction and effective functioning of a performance audit in the sector.
- Auditing alone cannot curb corruption, but it is an important part of combined efforts against corruption. Because of the scope of auditing in the present “audit society”

(Power, 1997), auditing may have the potential to change agents' beliefs about what other agents do in relation to corruption, which is what Rothstein (2011) argues is pivotal in creating change.

- Private sector auditors also need the formal authority to detect corruption and/or to collaborate with other investigative agencies.
- Corruption always involves a giver and a receiver, but creates different types of errors in the giving and receiving organizations.
- “Performance Audit” is more useful audit methodology for mitigating the chance of risk and embezzlement in private sectors. The performance audit helps the organizations to use the resource in projects that gives highest output.

#### **5.4 RECOMMENDATION**

- Knowledge sharing and cooperation between stakeholders is important to improve their ability to meet the company objectives. The company should make memorandums of understanding to cooperate with each other, share knowledge and expertise, and run joint training sessions on corruption-related auditing
- The share company should create tie relationship with their respective internal audit function unit to apply the finding of auditing reports as an input tool in anti-corruption struggle.
- The share company should focus in developing knowledge and skill of auditors with package benefits in fighting corruption.
- All potential users of audit findings should be provided with objective, independent and reliable information based on sufficient and appropriate evidence.

#### **The study recommends the following areas for further study;**

The future researchers have to focus on over all audit roles in enhancing accountability and fight of corruption in public and private sectors. The significance of regularity auditing in combating corruption; review of cost and benefit for performance audits; the adequacy of performance audit coverage in terms of the length of time spent on each audit and the type of audit conducted need further investigation.

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## **5.5 LIMITATION OF THE STUDY**

The study was focused on the evaluation of the role of performance audit in fighting corruption in bricks processing share companies. So, the study assessed the role of performance audit in fighting corruption from the perspective of private share companies' employee only and it lacks the customer and other stakeholder perspectives and other research studies should focus on such gaps. The study was also assessed the role of performance audit in fighting corruption at higher officials in the company and future studies should incorporate the role on different companies, sectors and regions. This study was be carried out on brick processing share company, so generalizing the results of this sector on other sector are questionable. In addition, the study was carried out on Ethiopian setting; further study should be conducted at regional level.

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## Appendix I – Questionnaire

**SAINT MARY’S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES  
MBA PROGRAM**

### **Dear Participants,**

I would like to extend my deep appreciation for your time in responding to the research questions provided below. I’m a postgraduate student at St Marry University under the department of business administration. The title of my thesis is: **ROLE OF PERFORMANCE AUDIT IN FIGHTING CORRUPTION: THE CASE OF BRICK PRODUCT PROCESSING Sh. Co.** We ask your kindly cooperation in answering the questions as truthfully as possible and your response will be highly confidential. This questionnaire will only be used for a student thesis work purposes only. Your participation in this survey is completely voluntary. Individual responses will not be identified in the investigator’s MA thesis. For further information please contact Yared Yehualaeshet via:

Tel: +251965281428 / +251991441461

Email: yayehu@gmail.com

### **SECTION A: Demographic information**

1. Gender:            Male                    Female
2. Age (years):        25 – 35        Between 35 – 45    Between 45 – 55    above 55
3. Education:        Diploma or less    Bachelor        Master                 Doctorate
4. Position:          High level            Middle level    Supervisors
5. Division:          Head of Auditor General    Head of performance auditor division  
  
                               Performance auditor in Auditor General
- Others
6. Years of experience:  Less or equal 5  Between 5 – 10  Between 10 – 15  Above 15

**Part II - Performance audit and struggle against corruption**

**2.1 Audit types used against corruption**

1. Which types of audit play significant role in fighting corruption? (Circle as many nominal numbers as appropriate.)

Types of audit	Significant	Non-significant
AT 1- Financial audit	1	2
AT-2 Compliance audit	1	2
AT3- Performance audit	1	2

**2.2 Cause for of diseconomy (Uneconomic), inefficiency and ineffectiveness**

1. What are the cause for of diseconomy, inefficiency and failure to achieve results of auditees?

1. Unintentional human negligence
2. Complex and difficult environmental factors
3. Might be due to existence of corruption
4. Other reasons.....

2. How lacks of efficiency indicate the existence of corruption?

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 .....  
 .....

3. How diseconomies indicate the existence of corruption?

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 .....  
 .....

4. How ineffectiveness indicates the existence of corruption?

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 .....  
 .....

### **2.3 Accepting performance audit as tool against corruption**

1. Do you believe that performance audit can be used as a tool against corruption?
  1. Yes
  2. No
2. Does performance audit indicated clues to existing corruption on the performance of the factory
  1. Yes
  2. No

### **2.4 Using performance audit as tool against corruption**

1. Do you think that the industry use the finding(s) of performance audit in struggle against corruption?
  1. Yes
  2. No

If your response for Q.2.4. 1 is No, why the share company not used findings of performance Audit report? (Tick as many boxes as appropriate.)	Yes	No
Lack of understanding	1	2
Lack of experience and trends	1	2
No access to get the performance audit report	1	2
Absence of formal cooperation	1	2
No strategy for joint cooperation	1	2
Lack of resource (man power, financial, information and material)	1	2
Other (specify it)	1	2

### **2.5 Joint duty of The Management, The External Audit & the Internal Audit**

1. To enhance the role of performance audit in fighting corruption what should have to be undertaken by External Audit, Management & Internal Audit and also of the Auditor General?

i. Related to Management

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.....

ii. Related to External Audit

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iii. Related to Internal Audit

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.....

iv. Related to Auditor General

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**2.6 Challenges in Audit work**

1. What challenges faced you during stay in the industry?

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2. What you observe as a problem and faced you in the industry relating performance audit conduct?

Relating to pre-conduct of Performance audit:

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.....

Relating to during conduct of Performance audit:

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.....

Relating to post-conduct of Performance audit:

.....  
.....

3. To solve the problem faced you what should have to be undertaken by office of Auditor General?

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**2.7 corruption Prevention methods**

1. Does the share company use various means of integrity system in corruption prevention?

Prevention methods	Used- 1	Not used- 2
Establishing national Anti-corruption programs and Strategies (E.g. Ethical code, disclosure of income and assets, improved procurement procedures etc)		
Doing with watch dog agency-ombudsman and Supreme Audit Institutions		
Public participation and democratic process		
Participating civil society		
Accountability of Judicial process		
Participating media		
Involving private sector		
Creating international cooperation		
Other (specifythem)		

2.8 What are the relevant information & experience on performance audit activity in relation to corruption?

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