

**Analysis of Perceived Factors Affecting the Performance of Auditors
in Fraud Detection: A Case in Addis Ababa City Administration**

*A Thesis Submitted to the School of Graduate Studies of Jimma University in
Partial Fulfillment of the Requirements for the Award of the Degree of
Master of Science in Accounting and Finance (M.Sc.)*

BY:

ERMIAS SOLOMON



JIMMA UNIVERSITY

COLLEGE OF BUSINESS & ECONOMICS

M.Sc. PROGRAM

JUNE 12, 2024

JIMMA, ETHIOPIA

**Analysis of Perceived Factors Affecting the Performance of Auditors
in Fraud Detection: A Case in Addis Ababa City Administration**

BY:

ERMIAS SOLOMON

Under the Guidance of
Mengistu Deyassa (Asst.Prof.)
Tesfaye Ginbare (Asst.Prof.)



*A Thesis Submitted to the School of Graduate Studies of Jimma University in
Partial Fulfillment of the Requirements for the Award of the Degree of
Master of Science in Accounting and Finance (MSc.)*

JIMMA UNIVERSITY
COLLEGE OF BUSINESS & ECONOMICS
M.Sc. PROGRAM

JUNE 12, 2024

JIMMA, ETHIOPIA

Certificate

This is to certify that the thesis entitled “*Analysis of Perceived Factors Affecting the Performance of Auditors in Fraud Detection: A Case in Addis Ababa City Administration*”, submitted to Jimma University for the award of the Degree of Master of Science in Accounting and Finance (MSC) and is a record of Bonafede research work carried out by student *Ermias Solomon*, under our guidance and supervision.

Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institution for the award of any degree or diploma.

<i>Main Adviser's Name</i>	<i>Date</i>	<i>Signature</i>
<u>Mengistu Deyassa (Asst.Prof)</u>	_____	_____
<i>Co-Advisor's Name</i>	<i>Date</i>	<i>Signature</i>
<u>Tesfaye Ginbare (Asst.Prof)</u>	_____	_____

Declaration

I hereby declare that this thesis entitled Analysis of Perceived Factors Affecting the Performance of Auditors in Fraud Detection: A Case in Addis Ababa City Administration” has been carried out by me under the guidance and supervision of Mengistu Deyassa (Asst. Prof) and Tesfaye Ginbare (Asst. Prof)

The thesis is original and has not been submitted for the award of any degree or diploma to any university or institution.

Researcher's Name

Date

Signature

Abstract

Investigating the factors affecting the performance of private auditors in detecting frauds in Addis Ababa City Administration necessitates a multifaceted analysis encompassing legal and professional standards, auditor proficiency, organizational environment, audit methodologies, and contextual considerations specific to Addis Ababa's business landscape. The objective of this study was to investigate the Analysis of Perceived Factors Affecting the Performance of Auditors in Fraud Detection: A Case in Addis Ababa City Administration. A cross-sectional study design was used. The study population was ($N = 169$), and the sample was ($n = 118$) private auditors. The study includes variables such as experience, constraints, audit fee size, independence, extent of fraud, and performance. The data collection tools include standardized questionnaires and semi-structured. SPSS Version 26 was used to run the quantitative data. A multiple regression model was used to analyze factors affecting the performance of private auditors. Qualitative analysis was made to supplement the quantitative response. The result of the study has a significant model, $F(5, 0.76) = 27.7$, $p = 0.00$, $R^2 = 0.46$. Predictor constraints ($t = 3.0$, $p = 0.03$), independency ($t = 2.69$, $p = 0.008$), and extent of fraud ($t = 6.56$, $p = 0.000$) significantly predict the performance of private auditors in Addis Ababa City Administration. The study concluded that constraints, independence, and extent of fraud had a relationship and impacted the performance of private auditors in the Addis Ababa City Administration. The study recommends that private auditors reduce various constraints of auditors and enhance the independence and extent of their fraud detection.

Keywords: *Experience, constraints, audit fee size, independence, extent of fraud, and performance.*

Acknowledgment

I sincerely appreciate the almighty God for His graces, strength, sustenance, and, above all, His faithfulness and love from the beginning of my academic life up to this master's level. His benevolence has made me excel and be successful in all my academic pursuits.

Foremost, I would like to express my sincere gratitude to my advisors, Mengistu Deyassa (Asst. Prof) and Tesfaye Ginbaru (Asst. Prof), for the continuous support of my master's research, for their patience, motivation, enthusiasm, and immense knowledge. Their guidance helped me in all the time of research and writing of this thesis.

To my family, thank you for encouraging me in all of my pursuits and inspiring me to follow my dreams. I am especially grateful to my parents, who supported me emotionally and financially. I always knew that you believed in me and wanted the best for me.

Table of Contents

Certificate	i
Declaration.....	ii
<i>Abstract</i>	iii
Acknowledgment.....	iv
List of Figures.....	vii
List of Tables	viii
CHAPTER ONE	1
1. INTRODUCTION.....	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem.....	3
1.3. Hypothesis.....	6
1.4. Objectives.....	6
1.4.1. General Objectives	6
1.4.2. Specific Objectives.....	6
1.4. Scope of the Study.....	7
1.5. Limitation of the study	7
1.6. Significance of the Study	7
1.7. Structure of the Thesis.....	8
CHAPTER TWO	9
2. REVIEW OF RELATED LITERATURE.....	9
2.1. The concept of Audit and Auditors	9
2.2. Factors affecting Auditors Performance in Fraud Detection	10
2.2.1. Experience	10
2.2.2. Audit size	11
2.2.3. Independency	11
2.2.4. Extent of fraud	13
2.2.5. Constraints	13
2.3. Empirical Literature.....	15
2.4. Conceptual Framework.....	20
CHAPTER THREE	22

3. RESEARCH METHODS AND METHODOLOGIES.....	22
3.1. Description of study area.....	22
3.2. Research Design	23
3.3. Target Population	23
3.4. Data Type and Sources	23
3.4.1. <i>Dependent variable</i>	23
3.4.2. <i>Independent variable</i>	23
a. Sample techniques and Size	24
3.5. Method of Data Collection	24
3.5.1. <i>Validity</i>	24
3.5.2. <i>Reliability</i>	24
3.6. Method of Data Analysis	25
3.7. Model Specifications	25
3.10. Ethical Considerations.....	26
CHAPTER FOUR.....	27
DATA ANALYSIS, PRESENTATIONS AND DISCUSSIONS	27
4.1. Demographic Characteristics.....	27
4.2. Normality Test.....	29
4.3. Multi- Collinearity Testing.....	31
4.3. Linearity Testing	31
4.4. Factors Affecting Performance of Private Auditors	32
4.5. Summary of the finding	33
CHAPTER FIVE	35
5. CONCLUSIONS AND RECOMMENDATIONS.....	35
5.1. Conclusions.....	35
5.2. Recommendations	35
REFERENCES.....	37
APPENDIX-1.....	42
APPENDIX-2.....	48

List of Figures

Figure 2: 1 Self-adopted conceptual framework (Wudu, 2014)	21
Figure 4: 1 Histogram	30
Figure 4: 2 Q-Q Plot	30

List of Tables

Table 4: 1 Demographic information of private auditors	27
Table 4: 2 Normality test	29
Table 4: 3 Multi-correlation among independent variables	31
Table 4: 4 Model summary of the variables	31
Table 4: 5 ANOVA summary variables.....	31
Table 4: 6 Factors affecting the performance of private auditors	32

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

The term “audit “comes from the Latin word meaning “hearing”. Auditing originated over 2000 years ago, first in Egypt, subsequently in Greece, Rome, and elsewhere; citizens (or, sometimes, slaves) entrusted with the collection and disbursement of public funds were required to present themselves publicly before a responsible official (an auditor), to give an oral account of their handling of those funds (porter et al,2014).

The development of auditing during the advent of the Industrial Revolution (period of 1844-1920s) was centered in the UK. then, the growth of the US economy in the 1920s -1960s caused a shift of auditing development from the UK to the USA).

The Ethiopian auditing practice has been started through government auditing dates back to the early 1931 constitution, which stressed the importance of the proper collection of state revenue and the necessity of procedures to control expenditures but stopped short of either referring to or requiring any Audit as such. This, in fact, had to wait for Proclamation 69 of 1944, which established the Commission for Audit, which was largely responsible for the examination and control of the accounts of the Ministry of Finance and was directly accountable to the prime minister. Articles 120 and 121 of the revised constitution of 1955 clearly conferred the right and duties of auditing all ministries. Departments and agencies Auditor General, whose office was then established as a separate, independent entity that reported directly to the Emperor and to the parliament (Beyashe,2008).

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

Audit performance is normally related to the ability of the auditing of the auditing to identify material misstatements in the financial statement and their wildlings to issue an appropriate and unbiased audit report based on the audit result (2013).

Auditing is a vital process that provides assurance of the accuracy of financial information, compliance with regulations, and effectiveness of internal controls within organizations. By conducting various types of audits, businesses can enhance transparency, mitigate risks, and improve overall performance (Arens, Elder, Beasley & Hogan, 2023).

Auditors play a vital role in ensuring the integrity and reliability of financial information presented by organizations, thereby safeguarding stakeholders' interests and promoting transparency in business operations (Willekens, Hay & Knechel, 2018).

External audits can be classified into two primary categories: financial statement audits and compliance audits. Financial statement audits focus on assessing the fairness of an organization's financial statements, while compliance audits evaluate adherence to laws, regulations, contracts, and grant agreements. Both types of external audits contribute to enhancing accountability, transparency, and reliability in organizational reporting practices (Arens, Elder, Beasley & Hogan, 2023).

One crucial factor that affects the performance of private auditors is their experience and expertise in the field. Auditing requires specialized knowledge and skills, and auditors with more experience are generally better equipped to handle complex audit engagements. Experienced auditors have a deeper understanding of auditing standards, regulations, and industry-specific practices, which enables them to perform more effectively (Anderson, 2016).

Another important factor is the independence of auditors. Independence is a fundamental principle in auditing that ensures objectivity and impartiality in the audit process. Private auditors must maintain independence from their clients to avoid any conflicts of interest that could compromise the integrity of their work. Independence can be influenced by various factors, such as financial relationships with clients, personal relationships with client personnel, and familiarity threats arising from long-term audit engagements (Gaynor, 2018).

Professional judgment plays a significant role in the performance of private auditors. Auditing involves making informed decisions based on available evidence and professional judgment. The ability to exercise professional skepticism and critical thinking is crucial for auditors to identify potential risks, assess the reliability of financial information, and make appropriate audit conclusions. Factors that can affect professional judgment include time pressure, cognitive biases, auditor-client relationships, and organizational culture (Francis & Yu, 2009).

Ethical considerations also impact the performance of private auditors. Auditors are expected to adhere to high ethical standards to maintain public trust and confidence in financial reporting. Ethical dilemmas may arise during audits, such as conflicts between client interests and professional responsibilities or pressures to compromise professional judgment. The ethical behavior of auditors can significantly influence their performance and the overall quality of audits (Gaynor & Stuart, 2019).

The regulatory environment in which private auditors operate is another critical factor affecting their performance. Auditing is subject to various regulations and standards, such as the International Standards on Auditing (ISAs) and local regulatory frameworks. Compliance with these regulations ensures that auditors follow established procedures and maintain the necessary quality control mechanisms. Changes in regulatory requirements can impact the performance of auditors by introducing new challenges or modifying existing audit practices (Johnson, 2007).

Lastly, the quality of work performed by private auditors directly affects their performance. High-quality audits provide reliable and relevant information to stakeholders, enhancing confidence in financial reporting. Factors that contribute to audit quality include the competence of audit teams, effective supervision and review processes, adherence to professional standards, and the use of appropriate audit methodologies and tools (Messier et al., 2020). To this consideration, the researcher focused on investigating the Analysis of Perceived Factors Affecting the Performance of Auditors in Fraud Detection: A Case in Addis Ababa City Administration.

1.2. Statement of the Problem

External auditors are independent firms that are engaged by the client to form an opinion on whether the audited financial statements are free from material misstatement. However, firms can

never eliminate the risk of fraud. There are always people who are motivated to commit fraud, and an opportunity can arise for someone in any organization to override internal controls or to collude with others to circumvent internal controls. Although every organization is susceptible to fraud, it is not cost-effective to try to eliminate all fraud risks. An organization may choose to design its controls to detect rather than prevent fraud risks. If the cost of designing, implementing, and monitoring internal controls against fraud exceeds the estimated impact of the risk, it may not be cost-effective to implement the internal controls (Singleton & Singleton, 2010)

The very important concern of independent auditors is to ultimately design and operate and provide valuable and reasonable assurance that the organization's objectives are being achieved. Its' focus is very diverse and specific to the financial, reporting, and compliance with policies, procedures, and laws. There is a great reliance of public trust on audited financial statements and accounting reports as they constitute the bedrock of the financial markets. This means that the auditors at all times must be objective in performing their duties (Trotman & Wright, 2011).

Corporate fraud and accounting disgraces have led to a heightened focus on the regulation of auditors. The potential compromise to auditor independence, when an audit firm provides audit services to an audit client, is a primary area of concern emerging from corporate accounting scandals, and even the independence of the auditor of a company's financial statements, the value they place on those financial statements may be seriously compromised. However, the striking finding emanating from this study is that some auditors are compromising their professional integrity, objectivity, and independence for economic gains. Such behavior has affected public confidence in the credibility of auditor's report (Wells, 2016)

According to management accounting official terminologies, periodic or specific purpose conducted by external auditors qualified accountants duties and responsibilities is to determine activities undertaken by those organizations; there are a sort of variables which can definitely affect independent auditors performance. Developing countries' independent auditors are challenged a lot in order to fulfill their export functionalities. This lack of functionalities happened due to narrow mandates and unskilled experts. Financial statements cannot be useful if they are based on unreliable and inaccurate recordings of transactions. The problem is that financial statement users cannot usually assess the presence of garbage simply by reading the statements. The statement

may look fine, but in reality be riddled with inaccuracies as a result of deliberate dishonesty and incompetence (Smith, 2007).

Moreover, audit failure ranges from allegations of technical incompetence (often due to cost-cutting and inadequately trained staff) and lack of diligence in getting beyond the paper figures to the underlying economic realities to charges of illegality and deception that amount to gross immorality, in particular where the failure to conduct a proper audit is attributed to a conflict of interest. Auditors do their job in a way that secures their personal careers and their continuing contracts as auditors or promotes the other business interests of their firm rather than in a way that fulfills their legal and moral professional obligation to shareholders and other stakeholders. To combat these problems, firms regularly hire an outside audit firm to audit the financial state. A recent study showed that the most important factors affecting audit quality in Jordanian Commercial Banks' audit efficiency were the reputation of the auditing office, auditing fees, the size of the audit firm, and the proficiency of the auditor (Williams, 2017).

In developing countries like Ethiopia, the efficient practices of the auditors in their responsibilities have not yet developed very well. Auditors only do their job in a way that secures their personal careers, their continuing contracts as auditors, or promotes the other business interests of their firm rather than in a way that fulfills their legal and moral professional obligation to shareholders and other stakeholders. Even when fraud appears in a business, they fail to express their opinion on the fraud committed and fail to detect financial statements where fraud committed lies. Therefore, all the above-discussed problems, along with the gap in the literature, need to conduct extensive research on external auditor's performance in their roles and responsibility (Gaynor, 2018).

Other studies revealed that because of the use of more advanced technology, the amount of fraud that is detected appears to have declined. In addition to this, auditors have limited legal expertise and do not have the training needed to identify all illegal activities. Therefore, external auditors' expert performance can be challenged by auditing fees, the size of audit firms, and the proficiency of auditors in Ethiopia as well. An external auditor faces many threats that may affect his independence. If his independence is affected, he becomes unable to issue a fair report showing the extent of the financial statements justice, which was audited in accordance with the requirements of related international auditing standards. His career will be affected, the acceptance

to deal with him in the future will be decreased by clients, and the trust in the audited financial statements will be weakened by users. Reviewing non-auditing services also affects the independence of the auditor. There are still challenges in Ethiopia. In addition to government policy, there is also regulatory complexity.

My research also included some factors that have not been taken by other researchers so far. The performance of auditors in detecting fraud is crucial for maintaining the integrity of financial reporting. Understanding the factors that influence auditors' effectiveness in fraud detection is essential for improving audit quality and reducing financial misconduct. Therefore, this study aims to investigate the Analysis of Perceived Factors Affecting the Performance of Auditors in Fraud Detection: A Case in Addis Ababa City Administration.

1.3. Hypothesis

H1: Adequate education and experience of auditors positively impact private auditors' fraud detection performance in Addis Ababa city Administration.

H2: The auditors' sufficient fee payment significantly and positively influences the private Auditors' fraud detection performance in Addis Ababa city Administration.

H3: The independence of auditors positively and significantly influences the private auditors' fraud detection performance in Addis Ababa city Administration.

H4: Large (material) amounts of fraud negatively influence the private auditors' fraud detection performance in Addis Ababa city Administration.

H5: Constraints negatively and significantly influence the private auditors' fraud detection performance in Addis Ababa city Administration.

1.4. Objectives

1.4.1. General Objectives

This study was designed to investigate factors affecting the performance of private auditors in fraud detection: A case in Addis Ababa City Administration?

1.4.2. Specific Objectives

The specific objective of this study was:

- ❖ To analyze the impact of private auditors' education and experience level on auditors' fraud detection performance in Addis Ababa City Administration.
- ❖ To evaluate the effect of materiality (size) of fraud influence on private auditors' fraud detection performance in Addis Ababa City Administration
- ❖ To investigate the independence of auditors' effect on the private auditors' fraud detection performance in Addis Ababa city Administration.
- ❖ To evaluate the auditors' sufficient amount of fee (payment) effect on private Auditors' fraud detection performance in Addis Ababa city Administration.
- ❖ To analyze the influence of constraints on the private auditors' fraud detection performance in Addis Ababa city Administration.

1.4. Scope of the Study

This study was designed to investigate factors affecting the performance of private auditors in Addis Ababa City Administration. This thesis includes variables such as experience, constraints, audit fee size, independence, extent of fraud, and performance of private auditors. Addis Ababa was the place where most private auditors existed, and as a result of this, private auditors firm (n = 118) were selected in order to manage the scope of this study.

1.5. Limitation of the study

Since the private auditors are performing, their daily professional duties on a commission basis, it is difficult to get them as per the time allotted for the data collection and the data collection requested more than two months additional time. Thus, the lack of sufficient time for data collection and the absence of a secondary source for their response are the two main limitations of this study.

1.6. Significance of the Study

This study will have the following advantages for the beneficiaries. Studying the factors affecting the performance of private auditors in Addis Ababa City Administration is crucial for promoting financial integrity, regulatory compliance, business confidence, ethical practices, quality assurance, policy development, and risk management within the auditing profession, this study confirmed that Addis Ababa private firms could benefit from the current practice of auditors

independence, internal and external auditors, private and government organization took a lesson from external auditor's constraints, extent of fraud and performance of private auditors and it may as starting point for those researchers who wish to more detail study in the area.

1.7. Structure of the Thesis

The first chapter of the study deals with the introduction; the second chapter deals with the literature review; chapter three focuses on the methodological part of the study; chapter four deals with the results and discussion of the study; and chapter five deals with the Conclusion and recommendation of the study.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

The performance of auditors is influenced by various factors that can impact their ability to carry out their duties effectively. Auditors play a crucial role in ensuring the accuracy and reliability of financial statements, and their performance directly affects the quality of audits. Understanding the factors that affect auditor performance is essential for improving audit quality and maintaining public trust in financial reporting.

2.1. The Concept of Audit and Auditors

The concept of audit and auditors is essential in the field of accounting and finance. An audit is a systematic examination of financial records, statements, or operations to verify their accuracy and compliance with laws, regulations, and standards. Auditors are professionals responsible for conducting audits and providing an independent opinion on the fairness and reliability of financial information. They play a crucial role in ensuring transparency, accountability, and trust in financial reporting (Spiceland, Sepe, Nelson & Tomassini, 2019).

Auditors are typically required to be impartial, objective, and ethical in their work. They follow established auditing standards and procedures to assess the financial health of an organization and identify any discrepancies or irregularities. Auditors may work for public accounting firms, government agencies, corporations, or as independent consultants. Their primary goal is to provide assurance to stakeholders that financial information is reliable and trustworthy (Arens, Elder, Beasley & Hogan, 2017).

Auditors perform various types of audits, including external audits conducted by independent firms to assess the accuracy of financial statements, internal audits carried out by organizations to evaluate internal controls and compliance, and forensic audits aimed at uncovering fraud or misconduct. Auditors use a combination of analytical skills, industry knowledge, and technical expertise to evaluate financial data, assess risks, and make recommendations for improvement (Louwers, Ramsay, Sinason, Strawser & Thibodeau, 2018).

The concept of audit and auditors is fundamental to maintaining the integrity of financial reporting and ensuring accountability in organizations. By conducting thorough examinations of financial information and operations, auditors help safeguard the interests of investors, creditors, regulators, and other stakeholders (Knapp, 2016).

2.2. Factors Affecting Auditors Performance in Fraud Detection

2.2.1. Experience

The experience of private auditors can have a significant impact on their performance. Private auditors are professionals who are responsible for examining and evaluating financial records, statements, and systems of organizations to ensure accuracy, compliance with regulations, and the detection of any fraudulent activities. Their experience plays a crucial role in their ability to effectively carry out these tasks (Anderson, 2016).

Firstly, experienced auditors have a deep understanding of auditing principles, standards, and procedures. They have acquired knowledge through years of practical experience in conducting audits for various types of organizations across different industries. This experience enables them to identify potential risks and areas of concern more efficiently, allowing them to focus their efforts on critical areas that require closer examination (Brown, 2016).

Furthermore, experienced auditors are better equipped to handle complex audit engagements. As they encounter diverse scenarios throughout their careers, they develop problem-solving skills and the ability to navigate through intricate financial transactions. This expertise enables them to effectively address challenges such as identifying related-party transactions, assessing fair value measurements, or evaluating the adequacy of accounting estimates (Smith, 2007).

In addition, experienced auditors are more adept at building relationships with clients. Effective communication and collaboration are essential in the audit process. Experienced auditors have honed their interpersonal skills over time, allowing them to establish trust and rapport with clients. This facilitates open dialogue and cooperation during the audit engagement, leading to more accurate information exchange and a smoother audit process (Williams, 2017).

Lastly, experienced auditors are better prepared to handle unexpected situations or changes in the regulatory environment. They have encountered various audit scenarios throughout their careers and have developed the ability to adapt quickly to new circumstances. This adaptability ensures

that auditors can effectively respond to emerging risks and changes in auditing standards, ensuring the quality and reliability of their work (Johnson, 2007).

In conclusion, the experience of private auditors significantly affects their performance. Their knowledge, perspective, problem-solving skills, relationship-building abilities, and adaptability are all enhanced through years of practical experience. This expertise enables them to provide valuable insights, identify risks, and carry out audits effectively (Smith, 2007).

2.2.2. Audit size

The size of an audit can indeed have an impact on the performance of private auditors. When an audit is too large, it can strain the resources and capabilities of the auditing firm, potentially leading to compromised quality and effectiveness. On the other hand, when an audit is too small, it may not provide sufficient coverage and depth, potentially missing important issues or risks (Arens et al., 2017).

This research article investigates the relationship between audit firm size and the accuracy of going concern reporting. It explores how larger audit firms with more resources tend to perform better in assessing the viability of audited entities, highlighting the importance of size in ensuring effective audits (Gaynor, 2018).

Examining the impact of audit team size on audit quality, this study reveals that larger teams are associated with higher-quality audits due to increased expertise, coordination, and coverage. It emphasizes the significance of allocating appropriate resources to audits based on their size to enhance performance (Gramling, 2016).

This research article examines the relationship between audit team size and audit quality by analyzing a large sample of audit engagements. It finds that larger teams are associated with higher-quality audits due to improved professional judgment and increased knowledge sharing among team members (Simnett, 2017).

2.2.3. Independency

The independence of private auditors can have a significant impact on their performance. When auditors are independent, it means that they are free from any conflicts of interest and can provide unbiased and objective opinions on the financial statements of the companies they audit. This

independence is crucial in maintaining the integrity and credibility of the auditing profession (Arens et al., 2017).

One way in which independence affects the performance of private auditors is by ensuring that they can exercise professional judgment without any undue influence. When auditors are independent, they can make decisions based solely on their assessment of the evidence and the applicable auditing standards. This allows them to perform their work with integrity and objectivity, which in turn enhances the quality of their audits (Louwers et al., 2017).

Independence also plays a role in enhancing the perception of stakeholders in the audit process. When auditors are seen as independent, it increases stakeholders' confidence in the reliability of the financial statements. This confidence is essential for investors, creditors, and other users of financial information who rely on audited financial statements to make informed decisions (Gaynor & Stuart, 2019).

Furthermore, independence is necessary to maintain public trust in the auditing profession. If auditors were not independent, there would be concerns about their ability to detect and report material misstatements or fraud in financial statements. The public relies on auditors to act as gatekeepers and ensure that companies present accurate and reliable financial information. Without independence, this role would be compromised, leading to a loss of trust in the auditing profession (Messier et al., 2020).

In addition to these general considerations, there are specific ways in which independence affects the performance of private auditors. For example, when auditors are independent, they are more likely to challenge management's assumptions and estimates. This includes scrutinizing management's judgments regarding revenue recognition, asset valuations, and provisions for contingent liabilities. By doing so, auditors can identify potential risks and errors that may affect the accuracy of the financial statements (Whittington & Pany, 2018).

Independence also enables auditors to maintain professional skepticism throughout the audit process. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. When auditors are independent, they are more likely to exercise

professional skepticism and not take management's assertions at face value. This helps them to identify potential fraud or errors that may have otherwise gone unnoticed (Messier et al., 2020).

2.2.4. Extent of fraud

The extent of fraud affecting the performance of private auditors is a complex and multifaceted issue that requires a comprehensive analysis (Bologna & Lindquist, 2015). There are theories related to the extent of fraud affecting the performance of private auditors. These theories include agency theory; which theory explores the relationship between principals (such as shareholders or owners) and agents (such as auditors) and how conflicts of interest can arise. It may be useful in considering how auditors may be incentivized to overlook or downplay fraud in order to maintain their relationship with the company (Albrecht et al., 2012).

Stakeholder theory shows that companies have a responsibility to consider the interests of all stakeholders, not just shareholders. In the case of auditing, this could mean considering the impact of fraud on employees, customers, and other stakeholders beyond just the financial impact on shareholders (Wells, 2016).

Ethical decision-making frameworks reveal many different ethical decision-making frameworks that could be applied to your research topic, such as the Utilitarian approach, the Kantian approach, or the Virtue ethics approach. These frameworks can help you explore how auditors may make decisions about whether or not to report fraud and what factors may influence those decisions.

Institutional theory suggests that organizations are influenced by the norms and values of their broader institutional environment (Kranacher et al., 2011). In the case of auditing, this could mean considering how regulatory frameworks and industry norms may influence the behavior of auditors when it comes to detecting and reporting fraud (Singleton & Singleton, 2010)

2.2.5. Constraints

Private auditors play a crucial role in ensuring the accuracy and reliability of financial statements for various organizations. However, their performance can be influenced by several constraints that may hinder their ability to carry out their duties effectively. These constraints can arise from both internal and external factors, impacting the auditors' independence, objectivity, and overall performance (Arens et al., 2017).

One significant constraint affecting the performance of private auditors is the pressure to maintain client relationships. Private auditors often rely on repeat business from their clients, which can create a conflict of interest. The fear of losing a client may lead auditors to compromise their independence and objectivity in order to please the client or avoid delivering unfavorable audit findings. This constraint can undermine the integrity of the auditing process and compromise the quality of the audit (Louwers et al., 2020)

Another constraint is the limited access to information. Private auditors heavily rely on the information provided by their clients to conduct audits. However, clients may intentionally withhold or manipulate information to present a more favorable financial position. In some cases, auditors may face challenges in obtaining complete and accurate data necessary for conducting a thorough audit. This constraint can significantly impact the auditors' ability to assess the true financial position of an organization and detect any potential misstatements or fraud (Gaynor & Simnett, 2015)

The complexity and evolving nature of accounting standards also poses a constraint on private auditors' performance. Auditing standards are constantly changing and becoming more complex, requiring auditors to stay updated with new regulations and guidelines. Failure to keep up with these changes can result in inadequate audits that fail to identify material misstatements or non-compliance with accounting principles. The need for continuous professional development and training places additional demands on auditors' time and resources (Whittington & Pany, 2018)

Furthermore, resource constraints can affect private auditors' performance. Smaller audit firms may have limited resources compared to larger firms, which can impact their ability to allocate sufficient time and personnel to conduct comprehensive audits. Limited resources may result in auditors having to prioritize certain areas of the audit, potentially overlooking important risks or control weaknesses. Additionally, resource constraints can hinder the implementation of advanced auditing techniques and technologies that could enhance the efficiency and effectiveness of the audit process. (Messier et al., 2020)

Lastly, legal and regulatory constraints can impact private auditors' performance. Auditors are subject to various legal and regulatory requirements, including professional standards, ethical guidelines, and legal liability. Non-compliance with these requirements can lead to disciplinary

actions, lawsuits, or damage to the auditor's reputation. The fear of legal repercussions may influence auditors' behavior and decision-making, potentially compromising their independence and objectivity (Gaynor & Simnett, 2015).

In conclusion, private auditors face several constraints that can affect their performance. These constraints include pressures to maintain client relationships, limited access to information, evolving accounting standards, resource constraints, and legal and regulatory requirements. Recognizing and addressing these constraints is essential for ensuring the integrity and effectiveness of the auditing process (Arens et al., 2017).

2.3. Empirical Literature

The empirical literature on the topic of experience affecting the performance of private auditors provides valuable insights into how the level of experience influences the effectiveness and efficiency of auditors in their professional roles. This research explores various aspects, such as the impact of experience on audit quality, decision-making processes, professional judgment, and overall performance (Bedard et al., 2004; DeFond & Zhang, 2014; Gul et al., 2013)

The empirical literature on the relationship between audit fee size and the performance of private auditors provides valuable insights into the dynamics of auditing practices. This research explores how the size of audit fees paid by clients affects the performance of private auditors. By examining this relationship, scholars aim to understand the potential impact of audit fees on auditor independence, audit quality, and overall financial reporting reliability. This comprehensive review article provides an overview of archival auditing research, including studies that investigate the relationship between audit fees and auditor performance. It offers a critical analysis of existing literature and highlights key findings in this area (DeFond & Zhang, 2014).

This article provides an overview of corporate governance research in accounting and auditing. It discusses the importance of audit fees as a component of corporate governance and highlights potential implications for auditor performance (Carcello et al., 2011). This comprehensive review article provides an overview of archival auditing research, including studies that investigate the impact of auditor independence on audit quality and financial reporting (DeFond & Zhang, 2014). The study examines the relationship between auditor independence and audit fees, providing

insights into how auditor independence affects the pricing of audit services (Lennox & Pittman, 2010).

overview of corporate governance research in accounting and auditing, including studies that examine the relationship between auditor independence and audit quality. This study investigates the association between Big Five audits (performed by the largest audit firms) and accounting conservatism, providing insights into how auditor independence can influence financial reporting quality (Carcello et al., 2011).

The extent of fraud affecting the performance of private auditors is a topic that has been extensively studied in empirical literature. Researchers have conducted numerous studies to understand the impact of fraud on the effectiveness and reliability of private auditors. These studies have explored various aspects related to fraud, including its detection, prevention, and the role of auditors in mitigating fraudulent activities. The empirical literature provides valuable insights into the challenges faced by auditors in dealing with fraud and offers recommendations for improving their performance in detecting and preventing fraudulent activities. This report by KPMG provides a global perspective on fraud and its impact on auditors. It highlights the role of technology in enabling fraud and emphasizes the importance of strong internal controls to mitigate fraudulent activities (Singleton & Singleton, 2010) The ACFE's report presents findings from a global study on occupational fraud and abuse. It examines the impact of fraud on organizations and provides insights into the role of auditors in detecting and preventing fraudulent activities (Albrecht et al., 2012).

The empirical literature on the constraints affecting the performance of private auditors focuses on identifying and analyzing the various factors that hinder auditors' effectiveness and efficiency in carrying out their duties. These constraints can arise from both internal and external sources, impacting auditors' ability to provide reliable and accurate financial statements. This article explores how data analytics can enhance audit procedures and improve the performance of private auditors. It discusses the potential constraints faced by auditors in adopting data-driven approaches and provides recommendations for overcoming these challenges (Gramling, 2016). This review paper summarizes empirical research on auditing, including studies that investigate the constraints affecting private auditors' performance. It provides a comprehensive overview of the factors

influencing audit quality and identifies potential areas for future research (Gaynor & Simnett, 2015)

This study examines how economic trade-offs influence auditors' decision-making process when issuing audit opinions. It sheds light on the constraints faced by private auditors in balancing economic considerations with their professional responsibilities (Hurtt et al., 2013).

This research investigates the causes and consequences of earnings manipulation, which can pose significant constraints on private auditors. It examines the impact of enforcement actions by the Securities and Exchange Commission (SEC) on firms engaging in earnings manipulation (Krishnan & Visvanathan, 2008).

Fraud is a pervasive issue that affects organizations across various industries and sectors. It involves intentional deception or misrepresentation for personal gain, resulting in financial losses, reputational damage, and decreased effectiveness for the affected firms. Understanding the impact of fraud on firm effectiveness is crucial for organizations to develop effective strategies to prevent, detect, and mitigate fraudulent activities (Wells, 2016).

One of the primary consequences of fraud on firm effectiveness is financial loss. Fraudulent activities can lead to significant monetary damages, including theft of assets, embezzlement, and manipulation of financial statements. These financial losses can have a direct impact on a firm's profitability, liquidity, and overall financial health. Moreover, the diversion of resources toward investigating and resolving fraud cases can strain an organization's financial resources and hinder its ability to invest in growth opportunities (Anderson, 2016).

Fraud also has a detrimental effect on a firm's reputation. When fraudulent activities are exposed, it erodes trust among stakeholders such as customers, investors, employees, and business partners. The negative publicity associated with fraud can tarnish a firm's brand image and result in a loss of market share. Rebuilding trust and restoring reputation can be a challenging and time-consuming process that may require significant investments in marketing and public relations efforts (Brown, 2016).

Furthermore, fraud can undermine the effectiveness of internal control systems within organizations. Effective internal controls are essential for ensuring the accuracy and reliability of

financial reporting, safeguarding assets, and preventing fraudulent activities. When fraud occurs, it indicates weaknesses in an organization's internal control environment. This undermines the confidence of management and stakeholders in the reliability of financial information and the overall governance structure of the firm (Gaynor & Simnett, 2015).

Fraud can also have broader implications beyond individual firms. It can undermine investor confidence in financial markets and lead to increased regulatory scrutiny. Governments may introduce stricter regulations and oversight measures to combat fraud, which can impose additional compliance costs on firms. The negative impact of fraud on the overall business environment can hinder economic growth and stability (Hurt et al., 2013).

In conclusion, the impact of fraud on firm effectiveness is significant and multifaceted. It leads to financial losses, damages reputation, undermines internal controls, and has broader implications for the business environment. Organizations must prioritize fraud prevention and detection efforts to safeguard their financial resources, protect their reputation, and maintain stakeholder trust (Williams, 2017).

One of the primary consequences of fraud on firm effectiveness is financial loss. Fraudulent activities can lead to significant monetary damages, including theft of assets, embezzlement, and manipulation of financial statements. These financial losses can have a direct impact on a firm's profitability, liquidity, and overall financial health. Moreover, the diversion of resources toward investigating and resolving fraud cases can strain an organization's financial resources and hinder its ability to invest in growth opportunities (Messier et al., 2020).

Fraud also has a detrimental effect on a firm's reputation. When fraudulent activities are exposed, it erodes trust among stakeholders such as customers, investors, employees, and business partners. The negative publicity associated with fraud can tarnish a firm's brand image and result in a loss of market share. Rebuilding trust and restoring reputation can be a challenging and time-consuming process that may require significant investments in marketing and public relations efforts (Kranacher et al., 2011).

Fraud can also have broader implications beyond individual firms. It can undermine investor confidence in financial markets and lead to increased regulatory scrutiny. Governments may

introduce stricter regulations and oversight measures to combat fraud, which can impose additional compliance costs on firms. The negative impact of fraud on the overall business environment can hinder economic growth and stability (Kranacher et al., 2011).

To address the problem of fraud and its impact on firm effectiveness, organizations need to implement comprehensive fraud prevention and detection measures. This includes establishing a strong ethical culture, implementing robust internal control systems, conducting regular risk assessments, and providing anti-fraud training to employees. Additionally, leveraging technology such as data analytics and artificial intelligence can enhance fraud detection capabilities and improve overall effectiveness in combating fraudulent activities. In conclusion, the impact of fraud on firm effectiveness is significant and multifaceted. It leads to financial losses, damages reputation, undermines internal controls, and has broader implications for the business environment. Organizations must prioritize fraud prevention and detection efforts to safeguard their financial resources, protect their reputation, and maintain stakeholder trust. (Francis & Yu, 2009).

One of the primary consequences of fraud on firm effectiveness is financial loss. Fraudulent activities can lead to significant monetary damages, including theft of assets, embezzlement, and manipulation of financial statements. These financial losses can have a direct impact on a firm's profitability, liquidity, and overall financial health. Moreover, the diversion of resources toward investigating and resolving fraud cases can strain an organization's financial resources and hinder its ability to invest in growth opportunities (Lennox & Pittman, 2010).

Fraud also has a detrimental effect on a firm's reputation. When fraudulent activities are exposed, it erodes trust among stakeholders such as customers, investors, employees, and business partners. The negative publicity associated with fraud can tarnish a firm's brand image and result in a loss of market share. Rebuilding trust and restoring reputation can be a challenging and time-consuming process that may require significant investments in marketing and public relations efforts (Gaynor, 2018).

African countries' auditors' performance is influenced by a combination of internal factors, including professional competence, ethical standards, workload, time pressure, firm culture, and remuneration and incentives, as well as external factors such as economic conditions, technology,

and resources, political interference, regulatory environment, client pressures that shape their ability to conduct high-quality audits and uphold professional standards (Ruth & Tabitha, 2018).

Ethiopian auditor's performance was challenged by various factors such as the regulatory environment, professional standards, resources; experience, client relationships, firm culture, quality control mechanisms, technology adoption, and continuing education collectively influence auditors' performance in Ethiopia. Addressing these factors proactively can contribute to enhancing audit quality and maintaining public trust in financial reporting (Gebre, 2018). Therefore, the study focused on examining the factors affecting private auditors' performance in fraud detection, particularly in the Addis Ababa City Administration.

2.4. Conceptual Framework

A conceptual framework on experience, audit fee size, independence, extent of fraud, and constraints affecting auditors' performance can be understood through the lens of auditing theory and practice. Auditing is a systematic examination of financial records, statements, and reports by an independent and competent professional to ensure that they present a true and fair view of the entity's financial position. The conceptual framework for understanding these factors involves considering the interplay between auditors' experience, audit fee size, independence, extent of fraud, and constraints affecting auditors' performance.

The conceptual framework underscores the multifaceted nature of auditing dynamics and emphasizes the interconnectedness of experience, audit fee size, independence, extent of fraud, and constraints affecting auditors' performance in shaping the quality and effectiveness of audits. Wudu (2014) used certification, practical experience, training, audit fees, and independence to significantly influence the auditor's expert performance in fraud detection in Ethiopia. In this study, considering the above variables, the researcher used the interconnectedness of experience, audit fee size, independence, extent of fraud, and constraints affecting auditors' performance in Addis Ababa City Administration audit firms.

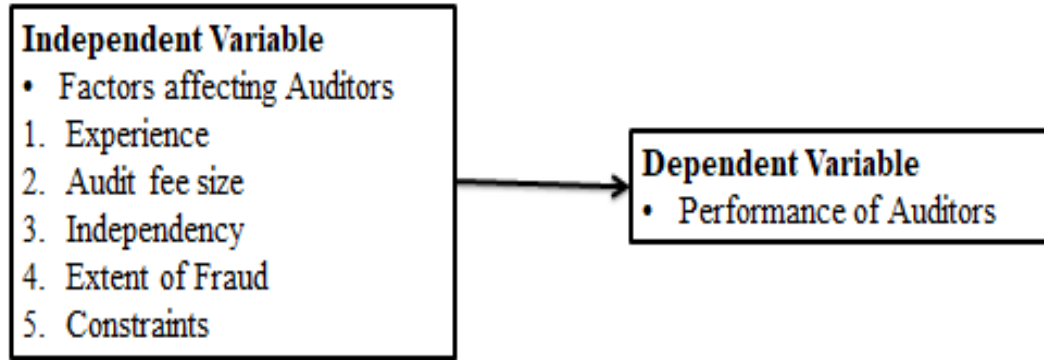


Figure 2: 1 Self-adopted conceptual framework (Wudu, 2014)

CHAPTER THREE

3. RESEARCH METHODS AND METHODOLOGIES

3.1. Description of study area

Addis Ababa, the capital city of Ethiopia, is a major economic and commercial hub in the region. As such, it is essential for the city administration to ensure that businesses operating within its jurisdiction adhere to high standards of financial reporting and auditing. The certification and auditing of firms in Addis Ababa are crucial for several reasons.

Certification and auditing are essential for protecting the interests of consumers and the general public. Through rigorous examination of financial statements and internal controls, certified and audited firms are better equipped to detect and prevent fraud, mismanagement, or other irregularities that could harm consumers or the broader economy. This oversight is particularly important in a rapidly growing city like Addis Ababa, where the risk of financial misconduct may be heightened.

Furthermore, certification and auditing firms contribute to the overall development of the business sector in Addis Ababa. By ensuring that firms adhere to established accounting standards and best practices, certification and auditing processes help to enhance the professionalism and credibility of businesses operating in the city. This can lead to improved access to capital, better business performance, and increased competitiveness both domestically and internationally.

In addition, certification and auditing play a critical role in regulatory compliance. By subjecting firms to independent scrutiny, the Addis Ababa City Administration can verify that businesses are fulfilling their legal obligations regarding taxation, financial reporting, and other regulatory requirements. This helps to maintain a level playing field for all businesses while also supporting government efforts to collect accurate tax revenues.

Overall, the certification and auditing of firms in Addis Ababa are essential for promoting transparency, protecting stakeholders' interests, fostering economic development, and ensuring regulatory compliance within the city's business community. Therefore, the research selected an Addis Ababa City Administration-certified auditors' firm.

3.2. Research Design

In this study descriptive and explanatory research design was used. Explanatory research design plays a crucial role in advancing knowledge in various fields by providing insights into the underlying mechanisms that drive certain phenomena. It helps researchers move beyond descriptive observations and explore the reasons behind complex relationships and behaviors.

3.3. Target Population

According to data obtained from the Accounting and Auditing Board of Ethiopia until December 31, 2022, the total population of certified and auditing firms in Ethiopia was 216 (AABE, 2022). The target population of the study was certified and auditing firms currently working in Addis Ababa City Administration encompasses 169 employees. Therefore, the target population of the study is 169 private auditors' employees who currently work in 216 private audit firms. in Addis Ababa City Administration.

3.4. Data Type and Sources

The study used Addis Ababa city administration independent experts as a primary source of data. Quantitative data were collected using questionnaire instruments. The quantitative instrument was a closed-ended questionnaire.

3.4.1. Dependent variable

The performance of auditors was the dependent variable of the study. The performance of private auditors' objective was to determine whether, in the auditor's opinion, the statements present fairly in all material respects - that is, they show a true and fair view in all material respects of the company's financial position, results of operations, and cash flows, in conformity with national or international generally accepted accounting principles. This was measured using 5-Likert scale questionnaire published by (Wudu, 2014)

3.4.2. Independent variable

The independent variables of the study were experience, audit fee size, independence, extent of fraud, and constraints affecting auditors' performance. This was measured using a 5-Likert scale questionnaire published by (Wudu, 2014)

a. Sample techniques and Size

The Addis Ababa City Administration certified and auditing firms (N = 169). All of their addresses were collected from Accounting and Auditing Board of Ethiopia (2022) office. To randomize the population and generalize the finding of the study. The researcher selected samples from the given population. The sample size determination formula was determined (Ryan, 2013).

$$n = N * \frac{Z^2 * P * (1 - P)/e^2}{[N - 1 + Z^2 * P * (1 - P)/e^2]}$$

N = Population (169)

Z = Critical value of the normal distribution at the required confidence level = 1.96

P = Sample proportion (0.5)

e = Margin of error = 0.05

$$n = 169 * \frac{1.96^2 * 0.5 * \frac{1 - 0.5}{0.05^2}}{\left[169 - 1 + 1.96^2 * 0.5 * \frac{1 - 0.5}{0.05^2}\right]} = 118$$

3.5. Method of Data Collection

3.5.1. Validity

Checking the validity and reliability of data collecting instruments before providing for the actual study subject was the core to ensure the quality of the data. To ensure the validity of the instruments, the instruments were developed under close guidance of advisors and co-advisors. To minimize the in a study, using different data collection methods was more advantageous. Any statements and questions were edited and eliminated, and necessary modifications or replacements were made (Singh, 2007).

3.5.2. Reliability

The researcher employed a pilot test. First, a questionnaire was distributed to ten (10) auditors found in Addis Ababa who were not part of this study sample. A reliability test was performed to

check the consistency and accuracy of the measurement scales. To examine the internal consistency of the item under each variable, a pilot test was carried out on other auditors.

Test of the questionnaire was conducted as a pilot test $\alpha = 0.83$; then, the consistency of the item was found to be satisfactory. Finally, speculating the result registered by Cronbach alpha and test-retest the revised questionnaire was distributed to auditors

3.6. Method of Data Analysis

SPSS 26.0 statistical software was used to process the numerical data. The data normality assumptions were checked using the data. Since the study had a large sample size and dataset elements, determining the distribution of experience, performance, audit fee size, extent of fraud, and constraints variable was important for choosing an appropriate test statistics method. Kolmogorov-Smirnov test was employed. All studied variables experience, performance, audit fee size, extent of fraud, and constraints KS test > 0.05 at $P < 0.05$. This shows that all variables data were normally distributed. Based on this outcome, and after a visual examination of the histogram and the QQ plot, the researcher decided to use a parametric test. Then, multiple regression tests were used to analyze the relationship and impact of selected factors on the performance of auditors.

3.7. Model Specifications

The questionnaire was prepared on a Likert scale and then transformed into a standardized z-test continuous variable. Then, the researcher was able to use multiple regression after fulfilling the assumption of normality.

$$Y_i = \beta_0 + \beta_1 \text{Exp.} + \beta_2 \text{Audfee} + \beta_3 \text{Ind.} + \beta_4 \text{Extfr} + \beta_5 \text{Con.} + \epsilon$$

Y_i = Performance of private auditors

β_0 = y – intercept

β_1 = Beta coefficient of experience

β_2 = Beta coefficient of audit fee size

β_3 = Beta coefficient of independency

β_4 = Beta coefficient of extent of fraud

β_5 = Beta coefficient of constraints

Exp. = Value of experience

Audfee = Value of audit fee size

Ind. = Value of independency

Extfr = Value of extent of fraud

Con. = Value of constraints

ϵ = the model's error term

3.10. Ethical Considerations

The study deals with ethical issues; it can protect the privacy of research participants and make guarantees of confidentiality at risk of harm as a result of their participation. Therefore, the study was conducted according to Jimma University Business and Economics college rules, policies, and codes relating to research ethics. The protocol was approved by the University guidelines, and written consent was given and informed to the concerned bodies. Permission was obtained from the independent auditors to have the necessary data. Then, informed verbal consent was received from each study subject, and anyone who was not willing to take part in the study had the full right to do so.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATIONS AND DISCUSSIONS

4.1. Demographic Characteristics

The purpose of this study was to investigate factors affecting private auditors affecting the performance of private auditors in detecting fraud in Addis Ababa City Administration. Quantitative analysis was made, including their interpretation, then supported by discussing from literature recent findings as a discussion part.

Table 4: 1 Demographic information of private auditors

Demographic Information	Types	Frequency	Percentages
Gender	Male	118	100
	Female		
Education	Diploma		
	First Degree	68	58
	Second Degree	30	25
	Others	20	17
Experience	<5 year	30	25
	6-10year	39	33
	11-15year	20	17
	16-20year	12	10
	>21 year	18	15
Licence	Grade A	58	50
	Grade B	30	25
	Grade C	30	25

As we have seen from Table 4.1., the gender of the respondents was male. The external auditors were totally found to be male. One can understand that more of the work of external auditors has been manipulated by males because work is a male monopoly. Female auditors were free from ethical issues by far better than male Younger auditors' counterparts (Ardiana 2016).

From the illustration of Table 4.1., the educational background of our subject is first-degree (58%), second-degree (25%), and others constitute (17%). The first-degree took more than half percentages of the total external auditors' population, while second-degree holders share one-fourth of the population.

Nowadays, the work of private auditors is performed by first-degree holders, which has a direct implication of being more dominated by educated experts in the field.

Table 4.1., work experience of the respondents demonstrates that 25% of expertise has less than 5 years, 33% of expertise have 6-10 years of experience, 17% of auditors possess 11-15 years of experience, 10% of auditors experience 16- 20 years and 15% greater than 20 years. The reason behind their experience was that they have served government and private organizations as finance experts, purchasers, salesman, cashiers, and auditors.

From the above-mentioned analysis, one can confirm that they have different schemes of experience. Then we can conclude that the expert external auditors have humble experience as an auditor, keeping their competency level and their functional capability as it is.

Recent literature suggested that the general expectation from behavioral and medical points of view that the older the auditor becomes the more the external auditor's job performance decreases as written (Rhodes, 1983) as sighted on by (Ardiana, 2016). While other studies failed to find any evidence of a decline in specific job performance, however, with a more demanding job with difficult tasks, age is, in fact, positive for the job performance learning curve. The controversy here is that the finding depicts that older auditors find questionable ethical issues less acceptable than younger auditors. This indicates that older auditors produce higher quality audits because they are more likely to accept questionable issues than younger ones while they are very conservative in their judgment as reported by (Ester & Reames, 1998) as sighted on (Ardiana 2016) . Finally, the impact of age on performance seems to be mixed, and therefore, there is no conclusion that can be made in this regard.

Figure 4.4 shows that half of private auditors (50%) have an "A" grade level while half (50%) of them have "B" and "C" auditors grade levels. Few research outputs revealed that the higher private firm auditor's grade level certification obtained from the government enables private auditors

fraud detection competency that assists the auditors in establishing a reliable, objective, and standardized audit fraud report (wudu 2014). In this case, half of the private auditor firms were unable to take a contract and take higher audit size and audit them because of their license grade level

4.2. Normality Test

Table 4: 2 Normality test

Normality Tests	Descriptions	Appears normal
Skewness	Population skewness (unbiased) = -0.137, with a standard error of 0.187. The (asymptotic) z-value is -0.746 and p -value = 0.455. Therefore, this distribution has similar skew as a normal distribution.	Normally Distributed
Kurtosis	Population excess kurtosis (unbiased) = -0.309, with a standard error of 0.371. The (asymptotic) z-value is -0.844 and p -value = 0.399. Therefore, this distribution has similar kurtosis as a normal distribution.	Normally Distributed
Kolmogorov-Smirnov	The two-sided Kolmogorov-Smirnov statistic (the maximum absolute difference) $D(169) = 0.066$, Lilliefors p -value = 0.067. Since the p -value is greater than 0.05, there is not sufficient evidence to reject the hypothesis that the data is normal. In other words, it appears that the data points are approximately normally distributed.	Normally Distributed

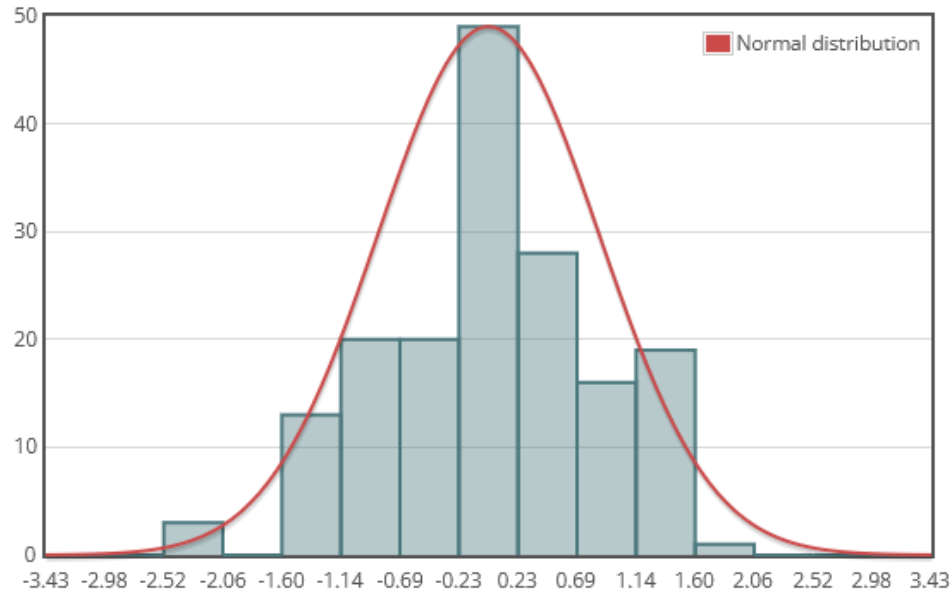


Figure 4: 1 Histogram

The above graph shows both a histogram of the data and the most likely normal distribution for the data. If histogram and normal distribution have a similar shape, it is likely that the underlying population is approximately normal.

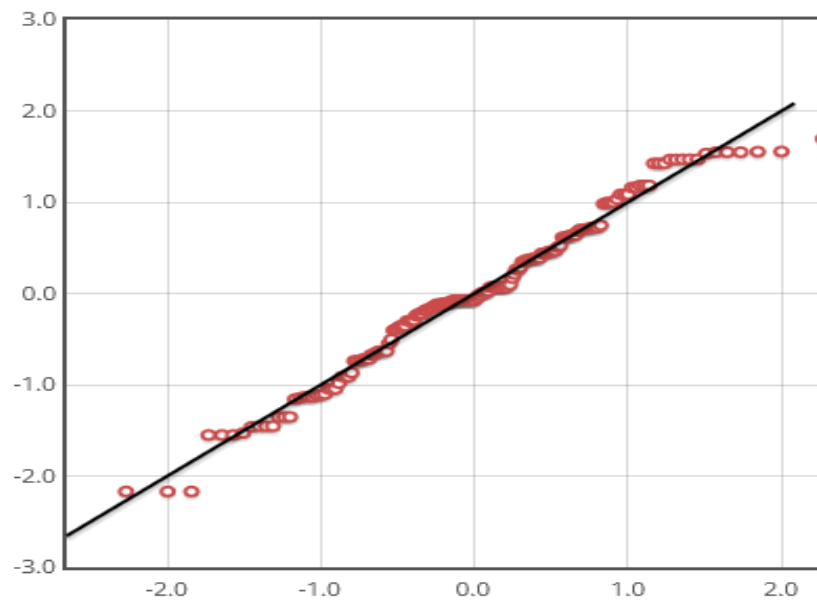


Figure 4: 2 Q-Q Plot

In the graph above, the red points represent the numbers in your data set. If these points are located relatively close to the black line, your data is approximately normally distributed.

4.3. Multicollinearity Testing

If there is a correlation between the independent variables, multi-collinearity checks it. Adding or removing a variable from a regression equation won't affect the values of the coefficients on the other variables if there is no association between the independent variables. If a correlation coefficient greater than 0.8 indicates a significant multi-collinearity problem with the model.

The maximum inter-correlation between the independent variable independence and audit fee size is 0.66, as shown in Table 4.2 below. Since the independent variables' inter-correlations are all less than 0.80, there is no indication that the study may have a multi-collinearity problem.

Table 4: 3 Multicorrelation among independent variables

	Experience	Constraints	Audit fee size	Independence	Extent of fraud
Experience	1.00	0.01	-0.16	-0.09	0.05
Constraints	-0.20	1.00	0.52	0.41	0.31
Audit fee size	-0.17	0.52	1.00	0.54	0.52
Independence	-0.09	0.41	0.54	1.00	0.53
Extent of fraud	0.51	0.31	0.52	0.53	1.00

4.3. Linearity Testing

Table 4: 4 Model summary of the variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.678 ^a	0.459	0.443	0.872
a. Predictors: (Constant), Extent of fraud, Experience, Constraints, Independence, Audit fee size				

Table 4: 5 ANOVA summary variables

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	105.236	5	21.047	27.708	0.000 ^b
	Residual	123.817	163	0.760		
	Total	229.053	168			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Extent of fraud, Experience, Constraints, Independence, Audit fee size						

4.4. Factors Affecting Performance of Private Auditors

Table 4: 6 Factors affecting the performance of private auditors

Model	Unstandardized		Standardized		
	Coefficients		Coefficients		
	B	Std. Error	Beta	T	Sig
(Constant)	0.464	0.319		1.456	0.147
Experience	-0.021	0.052	-0.025	-0.410	0.682
Constraints	0.244	0.080	0.210	3.030	0.003
Audit fee size	-0.058	0.071	-0.064	-0.815	0.416
Independence	0.199	0.074	0.201	2.695	0.008
Extent of fraud	0.487	0.074	0.479	6.560	0.000
$R^2 = 0.46$; $df = 5$; $F = 27.7$; residual = 0.76; $P = 0.000$					

A multiple regression was run to predict the performance of private auditors from experience, constraints, audit fee size, independence, and extent of fraud. This resulted in a significant model, $F(5, 0.76) = 27.7$, $p = 0.00$, $R^2 = 0.46$. Predictor constraints ($t = 3.0$, $p = 0.03$), independence ($t = 2.69$, $p = 0.008$), and extent of fraud ($t = 6.56$, $p = 0.000$) significantly predict the performance of private auditors in Addis Ababa City Administration. However, predictors such as experience ($t = -0.41$, $p = 0.68$) and audit fee size ($t = -0.815$, $p = 0.416$) did not significantly predict the performance of private auditors in the Addis Ababa City Administration.

Similar local studies suggest that private auditors in Ethiopia face various constraints and challenges that can impact their performance. One significant challenge is the extent of fraud that affects the auditing process. The regulatory framework for auditing in Ethiopia may have certain limitations, which can affect the ability of auditors to detect and prevent fraud effectively (Bekele & Tadesse, 2018).

Private auditors may face resource constraints, including limited staff, technology, and training opportunities. These limitations can hinder their ability to conduct thorough audits and identify fraudulent activities (Demeke, 2017).

In Addis Ababa, the extent of fraud and the performance of private auditors are closely related. The presence of fraud can significantly impact the effectiveness and reliability of private auditors

in detecting and preventing fraudulent activities. This relationship is influenced by various factors, including the regulatory framework, professional standards, auditor independence, and the overall business environment in Ethiopia (Belayneh & Tesfaye, 2018).

The relationship between the extent of fraud and the performance of private auditors in Ethiopia is a complex and multifaceted issue (Arens et al., 2017). Fraud refers to intentional deception or misrepresentation that results in financial or other losses. Private auditors, on the other hand, are professionals who provide independent and objective assessments of an organization's financial statements and internal controls (Asfaw & Admassu, 2020).

In Ethiopia, like in many other countries, fraud can have a significant impact on the performance of private auditors. The extent of fraud can affect the effectiveness and reliability of audit procedures, as well as the overall quality of audit reports (Albrecht et al., 2018).

Maintaining independence is crucial for auditors to perform their duties objectively. However, factors like client pressure or conflicts of interest can compromise auditor independence. In some cases, the legal enforcement mechanisms related to fraud detection and prevention may be inadequate, making it challenging for auditors to take appropriate actions against fraudulent activities. Fraudulent activities such as misrepresentation of financial statements or deliberate omission of material information can deceive auditors and undermine their ability to provide accurate assessments (Gebrehiwot & Gebrehiwot, 2019b).

Fraudsters may collude with employees or management to manipulate financial records, making it difficult for auditors to detect irregularities. Weak internal control systems within organizations can create opportunities for fraud, making it challenging for auditors to identify and prevent fraudulent activities (Negash & Getahun, 2016).

Instances of corruption within organizations can hinder the effectiveness of auditors, as they may face resistance or interference when trying to uncover fraudulent practices. If auditors do not implement comprehensive audit procedures or fail to adapt them to changing circumstances, they may overlook potential fraud indicators (Tadesse & Bekele, 2017).

4.5. Summary of the finding

The researcher has formulated five hypotheses to be tested. From five hypotheses three of them were rejected. This includes:

- Constraints of auditors have influenced the performance of private auditors in fraud detection in Addis Ababa City Administration.
- The independence of auditors has influenced the performance of private auditors in fraud detection in Addis Ababa City Administration.
- The extent of fraud committed has impacted the performance of private auditors in fraud detection in Addis Ababa City Administration.

The researcher has formulated five hypotheses to be tested. From five hypotheses two of them were accepted. This includes:

- The experience of auditors has no impact on performance of private auditors in fraud detection in Addis Ababa City Administration.
- The audit fee size paid for auditors have no impact on performance of private auditors in fraud detection in Addis Ababa City Administration.

CHAPTER FIVE

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

The study concluded that all of study participants were male; most of the external auditors have first degree holders; large numbers of external auditors have humble experience to be an auditor keeping their competency level and their functional capability as it was; and half of private firms' external auditors have "A" license level.

The finding of the study suggests that independency of auditors positively impacted the performance of private auditors in fraud detection in Addis Ababa City Administration. By upholding principles of independence, auditors can enhance their objectivity, thoroughness, and credibility in identifying fraudulent activities, ultimately promoting transparency and accountability within public sector organizations.

The finding of the study suggests that constraints of auditors positively impacted the performance of private auditors in fraud detection in Addis Ababa City Administration. These limitations drive auditors to be more diligent, independent, and objective in their work, ultimately leading to improved fraud detection capabilities.

The finding of the study suggests that the extent of fraud of auditors positively impacted the performance of private auditors in fraud detection in the Addis Ababa City Administration. By learning from these incidents and strengthening their own fraud detection capabilities, private auditors can position themselves as reliable guardians of financial integrity and earn the trust of their clients.

5.2. Recommendations

Depending on the conclusions of this study, the following recommendations were drawn.

- ✓ The study recommends that private auditors reduce their constraints, such as facilities and equipment necessary for audit service. Minimizing the constraints improves the capacity of the private firm auditors in fraud detection in the Addis Ababa City Administration.
- ✓ The study recommends that private auditors enhance their independence, which improves the financial reporting quality and reduces the risk of fraud. Moreover, private auditors can provide

value-added services beyond traditional audit functions, such as risk management consulting and internal control assessments.

- ✓ The study advises the private audit firms to improve the extent of their fraud detection gradually from time to time. This ultimately contributes to stronger internal controls, improved transparency, and greater accountability within the organization.

REFERENCES

- Albrecht, W. S., Albrecht, C. O., Albrecht, C. C., & Zimbelman, M. F. (2012). *Fraud Examination*.
- Albrecht, W. S., Albrecht, C. O., Albrecht, C. C., & Zimbelman, M. F. (2018). *Fraud Examination*. Cengage Learning.
- Alles, M. G., Kogan, A., & Vasarhelyi, M. A. (2008). Audit analytics in the financial industry: A synthesis of the audit analytics literature. *International Journal of Accounting Information Systems*, 9(1), 1–13.
- Anderson, R. J. (2016). The Influence of Auditor Experience on Audit Quality. *Contemporary Accounting Research*, 33(1), 356–379.
- Arens, A. A., Elder, R. J., & Beasley, M. S. (2017). *Auditing and Assurance Services*. Pearson.
- Arens, A., Elder, R., Beasley, M., & Hogan, C. (2017). *Auditing and Assurance Services: An Integrated Approach*. Pearson Education.
- Arens, A., Elder, R., Beasley, M., & Hogan, C. (2023). *Auditing and Assurance Services* (18th ed.). Pearson.
- Asfaw, D., & Admassu, T. (2020). Challenges and prospects of external audit practice in Ethiopia: Evidence from selected audit firms in Addis Ababa city administration. *International Journal of Business and Economics Research*, 9(1), 1–12.
- Bedard, J. C., Chtourou, S. M., & Courteau, L. (2004). The effect of expertise on auditor judgments and decisions: A meta-analysis. *Auditing: A Journal of Practice & Theory*, 23(2), 69–96.
- Bekele, A., & Tadesse, S. (2018). Constraints and Challenges of External Auditing in Ethiopia: The Case of Private Limited Companies. *International Journal of Economics, Commerce and Management*, 6(4), 1–14.
- Belayneh, B., & Tesfaye, M. (2018). Challenges faced by external auditors in Ethiopia: The case of selected audit firms in Addis Ababa city administration. *International Journal of Economics and Finance Studies*, 10(2), 1–12.
- Berhanu, G., & Getahun, M. (2017). Challenges facing the implementation of international auditing standards in Ethiopia: The case of private auditors in Addis Ababa. *International Journal of Economics, Commerce and Management*, 5(10), 1–15.

- Bologna, G., & Lindquist, R. J. (2015). *Corporate Fraud Handbook: Prevention and Detection*. John Wiley & Sons.
- Brown, D. R. (2016). The Role of Experience in Auditor Judgment and Decision Making. *Auditing: A Journal of Practice & Theory*, 35(4), 127–152.
- Carcello, J. V., Hermanson, D. R., & Ye, Z. (shelly). (2011). Corporate governance research in accounting and auditing: Insights, practice implications, and future research directions. *Auditing A Journal of Practice & Theory*, 30(3), 1–31. <https://doi.org/10.2308/ajpt-10112>
- Carpenter, T. D., Feroz, E. H., & Newman, D. P. (2004). Audit committee expertise, director selection, and perceptions of financial statement credibility. *Journal of Accounting and Public Policy*, 23(5), 375–400.
- DeFond, M., & Zhang, J. (2014). A review of archival auditing research. *Journal of Accounting and Economics*, 58(2–3), 275–326. <https://doi.org/10.1016/j.jacceco.2014.09.002>
- Demeke, M. (2017). The Role of External Auditors in Fraud Detection and Prevention in Ethiopia: A Case Study on Selected Banks in Addis Ababa. *Journal of Accounting and Finance*, 17(3), 1–12.
- Francis, J. R., & Yu, M. D. (2009). Big 4 office size and audit quality. *The Accounting Review*, 84(5), 1521–1552. <https://doi.org/10.2308/accr.2009.84.5.1521>
- Gaynor, G. H. (2018). Audit Firm Size and Going Concern Reporting Accuracy. *Auditing: A Journal of Practice & Theory*, 37(1), 1–26.
- Gaynor, G., & Simnett, R. (2015). *Auditing & Assurance Services in Australia*. McGraw-Hill Education Australia.
- Gaynor, G., & Stuart, I. (2019). *Auditing: A Practical Approach*. Wiley.
- Gebre, S. (2018). Factors influencing the effectiveness of internal audit in public sector offices in East Shewa, Ethiopia. A Thesis Submitted to the Department of Accounting and Finance in Partial Fulfilment of The Requirements for the Degree of Master in Accounting. Department of Economics, Faculty of Business and Economics

- Gebrehiwot, A., & Gebrehiwot, A. (2019a). Challenges and prospects of external audit practices in Ethiopia: The case of selected external audit firms in Addis Ababa. *International Journal of Economics, Commerce and Management*, 7(3), 109–123.
- Gebrehiwot, A., & Gebrehiwot, T. (2019b). The Role of External Auditors in Fraud Detection and Prevention: Evidence from Ethiopia. *International Journal of Business and Economics Research*, 8(2), 45–53.
- Gramling, A. A. (2016). The Impact of Audit Team Size on Audit Quality. *Auditing: A Journal of Practice & Theory*, 35(3), 1–20.
- Gul, F. A., Wu, D., & Yang, Z. (2013). Do individual auditors affect audit quality? Evidence from archival data. *The Accounting Review*, 88(6), 1993–2023. <https://doi.org/10.2308/accr-50536>
- Gul, F., & Chia, Y. M. (1994). The effects of experience and training on auditor judgment performance. *Accounting Review*, 69(3), 488–503.
- Hurt, R. K., Brown-Liburd, H., Earley, C. E., & Krishnamoorthy, G. (2013). The impact of client importance on auditor independence: Evidence from the “Great Recession.” *Auditing: A Journal of Practice & Theory*, 32(1), 55–78.
- Johnson, M. A. (2007). Experience and Audit Quality: Evidence from Private Auditors. *The Accounting Review*, 82(3), 789–812.
- Kranacher, M. J., Riley, R. A., & Wells, J. T. (2011). *Forensic Accounting and Fraud Examination*. John Wiley & Sons.
- Krishnan, G. V., & Visvanathan, G. (2008). Does the concentration of client firms’ revenues with their auditors affect audit quality? *The Accounting Review*, 83(5), 1393–1423.
- Krishnan, Gopal V., & Visvanathan, G. (2008). Does the SOX definition of an accounting expert matter? The association between audit committee directors’ accounting expertise and accounting conservatism. *Contemporary Accounting Research*, 25(3), 827–858. <https://doi.org/10.1506/car.25.3.7>

- Krishnan, J., & Krishnan, J. (1996). The role of economic trade-offs in the audit opinion decision: An empirical analysis. *Journal of Accounting Auditing & Finance*, 11(4), 565–586. <https://doi.org/10.1177/0148558x9601100403>
- Lennox, C. S., & Pittman, J. A. (2010). Big five audits and accounting conservatism. *Journal of Accounting Research*, 48(5), 1057–1089.
- Louwers, T., Bagley, P., Blay, A., Strawser, J., & Thibodeau, J. (2020). *Loose leaf for auditing & assurance services* (8th ed.). McGraw-Hill Education.
- Louwers, T. J., Ramsay, R. J., Sinason, D. H., Strawser, J. R., & Thibodeau, J. C. (2017). *Auditing & Assurance Services: A Systematic Approach*. McGraw-Hill Education.
- Louwers, T., Ramsay, R., Sinason, D., Strawser, J., & Thibodeau, J. (2018). *Auditing & Assurance Services* (7th ed.). McGraw-Hill Education.
- Messier, W. F., Glover, S. M., & Prawitt, D. F. (2020). *Auditing & Assurance Services: A Systematic Approach*. McGraw-Hill Education.
- Negash, M., & Getahun, G. (2016). Factors Affecting the Performance of External Auditors in Detecting Financial Statement Fraud in Ethiopia: Evidence from Listed Companies on the Ethiopian Stock Exchange Market. *International Journal of Economics, Commerce and Management*, 4(10), 1–17.
- Ruth, M & Tabitha, N. (2018). Factors Affecting Internal Auditor's Performance in Public Universities in Kenya. *Global Journal of Economics and Business Administration*
- Ryan, T. P. (2013). *Sample Size Determination and Power* (1st ed.). John Wiley & Sons.
- Simnett, R. (2017). Audit Team Size and Audit Quality. *The Accounting Review*, 92(1), 259–285.
- Simnett, R., Vanstraelen, A., & Chua, W. F. (2009). Assurance on sustainability reports: An international comparison. *The Accounting Review*, 84(3), 937–967. <https://doi.org/10.2308/accr.2009.84.3.937>
- Simunic, D. A., & Stein, M. T. (1996). Audit risk and client size: The impact of audit technology. *Journal of Accounting Research*, 34(2), 243–261.
- Simunic, Dan A. (1980). The pricing of audit services: Theory and evidence. *Journal of Accounting Research*, 18(1), 161. <https://doi.org/10.2307/2490397>

- Singleton, T. W., & Singleton, A. J. (2010). *Fraud Auditing and Forensic Accounting*. John Wiley & Sons.
- Smith, J. (2007). The Impact of Auditor Experience on Performance. *Journal of Accounting Research*, 45(2), 123–145.
- Spiceland, J., Sepe, J., Nelson, M., & Tomassini, L. (2019). *Intermediate Accounting* (10th ed.). McGraw-Hill Education. (Print)
- Tadesse, S. (2016a). The challenges of external audit practice in Ethiopia: The case of Addis Ababa City Administration. *African Journal of Accounting, Auditing and Finance*, 5(2), 156–179.
- Tadesse, S. (2016b). The challenges of external audit practice in Ethiopia: The case of Addis Ababa City Administration. *African Journal of Accounting, Auditing and Finance*, 5(2), 156–179.
- Tadesse, S., & Bekele, A. (2017). The Role of External Auditors in Fraud Detection and Prevention: Evidence from Ethiopia. *International Journal of Economics, Commerce and Management*, 5(6), 1–12.
- Trotman, K. T., & Wright, A. M. (2011). *Auditing and Assurance Services in Australia: An Integrated Approach*. Pearson Australia.
- Wells, J. T. (2016). *Principles of Fraud Examination*. John Wiley & Sons.
- Whittington, O., & Pany, K. (2018). *Principles of Auditing & Other Assurance Services*. McGraw-Hill Education.
- Williams, L. M. (2017). Auditor Experience and Financial Reporting Quality: Evidence from Private Firms. *Journal of Business Finance & Accounting*, 44(9), 1305–1338.
- Willekens, M., Hay, D., & Knechel, W. R. (Eds.). (2018). *The Routledge companion to auditing*. Routledge.
- Wudu, A. (2014). *Auditor responsibility and fraud detection: In Ethiopian private audit firms*.

APPENDIX-1

Jimma University

College of Business and Economics

Department of Accounting and Finance

Survey Questionnaires to Be Filled by private Audit firms

Dear private Auditors,

This questionnaire is designed to gather data about the responsibility and fraud detection of external audit firms in Addis Ababa town. The information will be used as primary data in the case study I am conducting as a partial fulfillment of my Master's Degree in Accounting and Finance at Jimma University. The data you provide are believed to have a great value for the success of this research. I confirm that all data will be used for academic purposes and analyzed anonymously through the authorization of the university. As a result, you are not exposed to any harm because of the information you provide. In advance, I would like to express my deepest appreciation for your generous time, honest, and prompt responses.

General Instructions

- No need to write your name;
- Use the (✓) mark to show your response for close-ended questions, and

Section 1: Demographic Background

Please kindly tick (✓) your answer in the appropriate boxes or respond by writing if required.

1. Gender:

☐ Female ☐ Male

2. The highest education completed

☐ Technical / vocational certificate (Diploma)

☐ Bachelor's degree

☐ Master's degree

☐ Other (specify) _____

3. Years of work experience:

☐ Less than 5 years

☐ 6 to 10 years

☐ 11 to 15 years

☐ 16 to 20 years

☐ Over 20 years

4. Current position in your organization _____

5. The Certificate level (grade) of your firm

☐ A

☐ B

☐ C

Section 2: Your perception towards factors affecting auditors' performance to fraud detection

In this section the researcher is seeking your specific perceptions towards the auditors' expert performance to fraud detection. Please kindly indicate the appropriate scale for your opinion by ticking (✓) on the spaces that indicate your choice from the options that range from 'strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A) to strongly Agree (SA)'. 125

A. Factors affecting auditors' performance to fraud detection	Alternatives				
	SD	D	N	A	SA
Experience					
Direct Technical knowledge of audit tasks enhance auditors fraud detection capability	()	()	()	()	()
Repeated exposure to the fraud detection develop auditors fraud detection task	()	()	()	()	()
number of years of external audit experience influence fraud detection	()	()	()	()	()
Audit fee size (Birr)	1-10,000	10,001-20,000	20,001-30,000	30,001-40,000	>40,001
Independence					
Programming independence influence fraud detection effort	()	()	()	()	()
Investigative independence influence fraud detection effort	()	()	()	()	()
Performance					
auditor is required to „possess the knowledge, skills, and other competencies to perform their individual responsibilities“	()	()	()	()	()
the fraud detection task requires key, unique capabilities	()	()	()	()	()
auditors should adopt to develop their knowledge of fraud and fraud detection	()	()	()	()	()
expertise have higher effect on performance as fraud detection task complexity increases	()	()	()	()	()

Auditors have characteristics of attention; simplify complexities, communication skills, confidence stress tolerance, and creativity.	()	()	()	()	()
Auditor comprises the ability to exercise analytical reasoning, competency in technical skills, and competency in data analysis skills	()	()	()	()	()
Auditors are being adaptive in their decision-making strategy; possessing the ability to identify relevant facts; being inquisitive about all aspects of an issue; and having the ability to make exceptions	()	()	()	()	()
C. Extent of fraud					
Do you think that frauds are a major concern in company?	()	()	()	()	()
Do you think that the discovery of fraudulent activity would have a negative impact on users?	()	()	()	()	()
Is it the auditor's responsibility include searching or detecting accounting fraud?	()	()	()	()	()
Do you think that auditing standards may make auditors have the responsibility to detect and prevent accounting fraud?	()	()	()	()	()
Do Private auditors are legally liable for subsequently discovery of misstated audited financial statements?	()	()	()	()	()
Do you feel that it is the responsibility of the auditor to uncover fraud and to report this to the appropriate authorities?	()	()	()	()	()
Do you think that auditor should assess management characteristics, to determine if they may lead to fraudulent financial reporting?	()	()	()	()	()
Auditor is responsible if the company goes bankrupt due to fraud	()	()	()	()	()
Auditors are liable for losses of interested parties if failed to disclose potential fraud in audit report	()	()	()	()	()

The extent of assurance given by the auditors is clearly indicated in the audit report	()	()	()	()	()
Do you consider that there should be an audit standard that would make auditors responsible for detecting and reporting frauds?	()	()	()	()	()
The auditor's responsibility in relation to fraud should be clearly indicated in the audit report	()	()	()	()	()
Constraints					
Clients demand unqualified opinion	()	()	()	()	()
clients Low demand for audit service	()	()	()	()	()
absence of strong professional association for auditors	()	()	()	()	()
Family/friend/personal relationship-based client selection by audit firm	()	()	()	()	()
Lack of nationally organized professional body	()	()	()	()	()
lack of real information presentation for auditing service	()	()	()	()	()
lack of client's regular demand for audit	()	()	()	()	()
Pressure from Clients to complete their work	()	()	()	()	()
Failure to brainstorm potential fraud schemes	()	()	()	()	()
Lack of cooperation from internal Auditors	()	()	()	()	()
Delay in preparation of financial statement	()	()	()	()	()
Fear of losing client	()	()	()	()	()
Unsatisfactory explanations to enquiries	()	()	()	()	()
Missing vouchers and source documents	()	()	()	()	()
Misconception on the work of the External Auditors	()	()	()	()	()
Ability to pay Audit fees	()	()	()	()	()
Poor record keeping of client's transaction	()	()	()	()	()
Lapses in the implementation of internal controls	()	()	()	()	()

APPENDIX-2

AUDIT FIRM LIST

Sn	Accounting and Auditing Board of Ethiopia			
	List Of Certified & Authorized Auditing Firms (Updated Up to January 30/2016 E.C)			
	Full Name of the Firms	Regional/Physical	Auditor's ADF Number	City /Sub-City/Woreda Location
1	Abdi Kedir Certified Audit Firm	Addis Ababa	ADF00252	Kirkos
2	Abebe Arega Kassa Authorized Audit Firm	Addis Ababa	ADF00109	Arada
3	Abebe Kifle Certified Audit Firm	Addis Ababa	ADF00052	Bole
4	Abenezer Petros Certified Audit Firm	Addis Ababa	ADF00249	Addis Ababa
5	Abiy Degefe Certified Audit Firm	Addis Ababa	ADF00204	Kirkos
6	Abraham Berhanu Admasu Certified Audit Firm	Addis Ababa	ADF00017	Addis Ababa
7	Abraham Teshome Certified Audit Firm	Addis Ababa	ADF00065	Addis Ababa
8	ACHAMYELEH DINKU CERTIFIED AUDIT FIRM	Addis Ababa	ADF16126	Bole
9	Adamu Abere Certified Audit Firm	Addis Ababa	ADF00253	Kirkos
10	Adane Batiso Certified Audit Firm	Addis Ababa	ADF00048	Bole
11	Adanech Feyissa Dori Certified Audit Firm	Addis Ababa	ADF00050	Addis Ababa
12	Addis Atnafie Certified Audit Firm	Addis Ababa	ADF00236	Lemi Kura
13	Addisu Alemu Bimirew Authorized Audit Firm	Addis Ababa	ADF00090	Bole
14	Adinew Bekele Certified Audit Firm	Addis Ababa	ADF00234	Bole
15	Ajaib Neja Seid Certified Audit Firm	Addis Ababa	ADF00235	Addis Ababa
16	Alan Arthur Bromhead Certified Audit Firm	Addis Ababa	ADF00005	Kirkos
17	Alemayehu Endale Berta Certified Audit Firm	Addis Ababa	ADF00082	Arada
18	Alemgena Adugna And Tesfaye Alemu Certified Audit Partnership	Addis Ababa	ADF00202	Kirkos
19	Alia Abdulahi Muzein Certified Audit Firm	Addis Ababa	ADF00045	Bole

20	Amanuel Bahta And H/Selassie G/Kidane Certified Audit Partnership (Ama-Hai)	Addis Ababa	ADF00011	Kirkos
21	Amare Getu Aberra Certified Audit Firm	Addis Ababa	ADF00067	Addis Ababa
22	Amelework Wondimeneh Tamiru Certified Audit Firm	Addis Ababa	ADF00227	Addis Ababa
23	Amina Rashid Certified Audit Firm	Addis Ababa	ADF00053	Kirkos
24	Amlake Admassu Certified Audit Firm	Addis Ababa	ADF00256	Lemi Kura
25	ASGB Partners LLP Certified Audit Firm	Addis Ababa	ADF00023	Kirkos
26	Ashenafi Getachew Certified Audit Firm	Addis Ababa	ADF00239	Kirkos
27	Asnake Engida Tadesse Certified Audit Firm	Addis Ababa	ADF00188	Kirkos
28	B Y Certified Audit Service LLP	Addis Ababa	ADF16069	Bole
29	Bahru Gebre And Tadele Gebeyehu Certified Audit Service Partnership	Addis Ababa	ADF00191	Bole
30	Belayneh Molla Adgeh Certified Audit Firm	Addis Ababa	ADF00193	Kirkos
31	Belete Tensaye Wakeyo Certified Audit Firm	Addis Ababa	ADF00040	Kirkos
32	Berhanu Retta Certified Audit Firm	Addis Ababa	ADF00057	Yeka
33	Bezuayehu Fithamlake Certified Audit Firm	Addis Ababa	ADF00219	Kirkos
34	Bezuayehu Mengesha Wubetu Certified Audit Firm	Addis Ababa	ADF00025	Lideta
35	Bilal Mohammed Certified Audit Firm	Addis Ababa	ADF00016	Kirkos
36	Biruk Hailu Certified Audit Firm	Addis Ababa	ADF00174	Addis Ababa
37	Bruk Yisak Alemayehu Certified Audit Firm	Addis Ababa	ADF00260	Yeka
38	Dagne Mekonnen Certified Audit Firm	Addis Ababa	ADF00182	Kirkos
39	Dawit Adane Certified Audit Firm	Addis Ababa	ADF00217	Kirkos
40	Dereje Getiye Goncha Certified Audit Firm	Addis Ababa	ADF16150	Addis Ababa
41	Dereje Moges Azmite Certified Audit Firm	Addis Ababa	ADF00259	Yeka
42	Elias Zeleke Certified Audit Firm	Addis Ababa	ADF00186	Gulele
43	Elleni Ali Certified Audit Firm	Addis Ababa	ADF00218	Addis Ababa
44	Endawoke Asmare Alamineh Certified Audit Firm	Addis Ababa	ADF00265	Kirkos

45	Ephrem Demissie Banjaw Certified Audit Firm	Addis Ababa	ADF 00055	Nifas Silk Lafto
46	Ephrem Melaku Tasew Certified Auditing Firm	Addis Ababa	ADF00032	Kirkos
47	Ermias Nigussie Abebe Certified Audit Firm	Addis Ababa	ADF00096	Bole
48	Ersoda Audit Service Limited Liability Partnership	Addis Ababa	ADF00244	Arada
49	Eskias Fikre Kebede Certified Audit Firm	Addis Ababa	ADF16132	KOLFIE KERANIO
50	Estifanos Tekle Certified Audit Firm	Addis Ababa	ADF00216	Kirkos
51	Eyasu Woldemariam Adera Certified Audit Firm	Addis Ababa	ADF00049	Addis Ababa
52	Fekadeab Goshime Reta Certified Audit Firm	Addis Ababa	ADF00030	Arada
53	Fetiya Temam Certified Audit Firm	Addis Ababa	ADF00268	Lideta
54	Feysel Takele Certified Audit Firm	Addis Ababa	ADF00190	Lideta
55	Frezer Habtewold Certified Audit Firm	Addis Ababa	ADF00056	Kirkos
56	Gaberemelak Bereded Authorized Audit Firm	Addis Ababa	ADF00039	Bole
57	Gebreamlak Arage Certified Audit Firm	Addis Ababa	ADF00102	Yeka
58	Geletaw Tsegaye Belachew Certified Audit Firm	Addis Ababa	ADF00214	Arada
59	Geta Mehary Temesgen Certified Audit Firm	Addis Ababa	ADF00203	Bole
60	Getache Benalfew Certified Audit Firm	Addis Ababa	ADF 00073	Addis Ababa
61	Getachew Dhunfeta Authorized Audit Firm	Addis Ababa	ADF00244	Bole
62	Getachew Tabor Telila Certified Audit Firm	Addis Ababa	ADF 00042	Nefas Silk Lafto
63	Getachew Wakjira Wario Certified Audit Firm	Addis Ababa	ADF00019	Kirkos
64	Getachew Yemenshoa Certified Audit Firm	Addis Ababa	ADF00099	Yeka
65	Getenet Worku Beyene Certified Audit Firm	Addis Ababa	ADF00015	Bole
66	Girma And Fasil Audit Service Partnership	Addis Ababa	ADF00074	Bole
67	Habtamu Tesfaye Certified Audit Firm	Addis Ababa	ADF00085	Addis Ababa

68	Habtewold Menkir Certified Audit Firm	Addis Ababa	ADF00020	Addis Ababa
69	Hailegiorgis Terefe Anbessie Certified Audit Firm	Addis Ababa	ADF00177	Kirkos
70	Haileyesus Chekol Certified Audit Firm	Addis Ababa	ADF00047	Kirkos
71	Hassen Abate Certified Audit Firm	Addis Ababa	ADF00051	Kirkos
72	Hassen Seid Hamid Certified Audit Firm	Addis Ababa	ADF00196	Addis Ababa
73	Henok Tadesse Zewdie Certified Audit Firm	Addis Ababa	ADF00258	Kirkos
74	Hiwot Tadesse Certified Audit Firm	Addis Ababa	ADF00202	Kirkos
75	Hruy Ababayehu Mergia Certified Audit Firm	Addis Ababa	ADF00184	Addis Ababa
76	Jemal Ali Boru Certified Audit Firm	Addis Ababa	ADF00024	Nefas Silk Lafto
77	Kassa Yilala Wufye Certified Audit Firm	Addis Ababa	ADF00036	Bole
78	Kassaye Assefa Alemu Certified Audit Firm	Addis Ababa	ADF00183	Bole
79	Kibrom Gebreigziabher Certified Audit Firm	Addis Ababa	ADF00226	Addis Ababa
80	Kokeb And Melkamu Audit Work Partnership	Addis Ababa	ADF00012	Addis Ababa
81	Kumissa Moreda Certified Audit Firm	Addis Ababa	ADF00250	Kirkos
82	Leul Zewdie Shoatatek Certified Audit Firm	Addis Ababa	ADF00046	Addis Ababa
83	Mebratu Bayih Birhanu Authorized Audit Firm	Addis Ababa	ADF00192	Yeka
84	Mekonnen Gebeyehu Gebrehanna, Certified Audit Firm	Addis Ababa	ADF00034	Kirkos
85	Melaku Abeje, Seid Abdella & Efrem Tsegaye Certified Audit Partnership	Addis Ababa	ADF00003	Kirkos
86	Melaku Tamriu Certified Audit Firm	Addis Ababa	ADF00247	Bole
87	Menbere Leul Kokeb Certified Audit Firm	Addis Ababa	ADF00088	Addis Ababa
88	Mengisteab And Daniel Audit Partnership	Addis Ababa	ADF00213	Kirkos
89	Mengistu Tilahun Certified Audit Firm	Addis Ababa	ADF00241	Kirkos
90	Mersha Lakew Teffera Certified Audit Firm	Addis Ababa	ADF00207	Arada

91	Mesfin Ezezew Yenineh Authorized Auditor	Addis Ababa	ADF00096	Arada
92	Michael Shibru Certified Audit Firm	Addis Ababa	ADF00228	Kirkos
93	Mitiku Afework Abebe Certified Audit Firm	Addis Ababa	ADF00238	Kirkos
94	Mohammed Abdo Certified Audit Firm	Addis Ababa	ADF00232	Lideta
95	Mohammed Yasin Certified Audit Firm	Addis Ababa	ADF 00066	Nefas Silik Lafto
96	MSE Certified Audit Partnership	Addis Ababa	ADF 00003	Kirkos
97	Mubarik Zinab Certified Audit Firm	Addis Ababa	ADF00229	Addis Ababa
98	Mulubrhan Meressa Certified Audit Firm	Addis Ababa	ADF00178	Kirkos
99	Mulugeta Eshetu Guale Certified Audit Firm	Addis Ababa	ADF00063	Addis Ababa
100	Nabiyu Feto Beddaso CERTIFIED AUDIT FIRM	Addis Ababa	ADF16145	Arada
101	Nbbn Audit Service Limited Liability Partnership	Addis Ababa	ADF00264	Addis Ababa
102	Nesebeho Fikre Wondimagegn Authorized Audit Firm	Addis Ababa	ADF16057	Bole
103	Nigatu Abebe Certified Audit Firm	Addis Ababa	ADF00251	Bole
104	Olani Dilba KENEA CERTIFIED AUDIT FIRM	Addis Ababa	ADF16139	Nifas Silk Lafto
105	Optimum Audit Service Limited Liability Partnership	Addis Ababa	ADF00255	Bole
106	Paulos Basazenew Certified Audit Firm	Addis Ababa	ADF00087	Addis Ababa
107	Salahadin Mohammed Authorized Audit Service	Addis Ababa	ADF00221	Addis Ababa
108	Samson Worku Bejga Certified Audit Firm	Addis Ababa	ADF00013	Bole
109	Samuel Mihiret Certified Audit Firm	Addis Ababa	ADF00233	Addis Ababa
110	Samuel Samson Tadesse Certified Audit Firm	Addis Ababa	ADF00230	Addis Ababa
111	Sefanit Hailemariam Certified Audit Firm	Addis Ababa	ADF00254	Addis Ababa
112	Seyoum Wubshet Workneh Certified Audit Firm	Addis Ababa	ADF00261	Bole
113	Simon Getachew And Yosef Berhanu Certified Audit Partership	Addis Ababa	ADF00225	Kirkos

114	Sintayehu Mulugeta Tadesse Certified Audit Firm	Addis Ababa	ADF00222	Kirkos
115	Sintayhu Bezabeh Shiferaw Certified Audit Firm	Addis Ababa	ADF00248	Addis Ababa
116	Siyoun Tamene Temesgen Certified Audit Firm	Addis Ababa	ADF00185	Bole
117	Soliyana Kiros Legesse Certified Audit Firm	Addis Ababa	ADF00038	Lideta
118	Solomon Ayehu Asnake Authorized Audit Firm	Addis Ababa	ADF16054	Yeka
119	Solomon Ayfokru Dgafu Cerfied Audit Firm	Addis Ababa	ADF00263	Bole
120	Solomon Bedilu Semega Certified Audit Firm	Addis Ababa	ADF00242	Lemi Kura
121	Solomon Demena Certified Audit Firm	Addis Ababa	ADF OOO41	Yeka
122	Solomon Eshete Certified Audit Firm	Addis Ababa	ADF00089	Arada
123	Solomon Gebrekidan Gebretsadik	Addis Ababa	ADF00221	Addis Ababa
124	Solomon Moges Betemariam Certified Audit Firm	Addis Ababa	ADF00266	Kirkos
125	Solomon Tiruneh Certified Audit Firm	Addis Ababa	ADF00054	Addis Ababa
126	Solomon Wassiyhun Shumye Certified Audit Firm	Addis Ababa	ADF00064	Kirkos
127	Solomon Zeleke Certified Audit Firm	Addis Ababa	ADF16094	Lideta
128	Surafel Akalu Certified Audit Firm	Addis Ababa	ADF00199	Bole
129	Surafel Kidanu Mekasha Authorized Audit Firm	Addis Ababa	ADF16079	Lemi Kura
130	Tadesse Woldegabriel and Seifemichael	Addis Ababa	ADF00014	Kirkos
131	Shewangizaw Certified Audit Partnership – TSY Audit Services	Addis Ababa		
132	Tafesse, Shisema And Ayalew Certified Audit Partnership	Addis Ababa	ADF00006	Addis Ababa
133	Tambizot Minwuye Certified Audit Firm	Addis Ababa	ADF00083	Yeka
134	Tamrat Abebe Cerfied Audit Firm	Addis Ababa	ADF00027	Kirkos
135	Taye G/Giorgis W/Michael Certified Audit Firm	Addis Ababa	ADF00201	Nifas Silk Lafto
136	Tekeste, Solomon Gizaw, Getu, Yonas & Solomon Melaku Certified Audit Service Partnership	Addis Ababa	ADF00007	Kirkos

137	Tekestebrhan Dagne Desta Certified Audit Firm	Addis Ababa	ADF00175	Yeka
138	Temesgen Ekubay Certified Audit Firm	Addis Ababa	ADF16090	Yeka
139	Tenaw Anagaw Alemu Certified Audit Firm	Addis Ababa	ADF16130	Nefas Silk Lafto
140	Tensae And Zelalem Tz Audit Partnership	Addis Ababa	ADF00231	Bole
141	Tesfa Tadesse, Alemayehu Kassa And Yeheyis Bekele Certified Audit Partnership	Addis Ababa	ADF00009	Kirkos
142	Tesfamichael Fentaw Demissie Certified Audit Firm	Addis Ababa	ADF00262	Yeka
143	Tesfaye Adugna Certified Audit Firm	Addis Ababa	ADF00215	Addis Ababa
144	Tesfaye Birkneh Certified Audit Firm	Addis Ababa	ADF16122	Lideta
145	Tesfaye Gedlu Mebrate Certified Audit Firm	Addis Ababa	ADF00060	Addis Ababa
146	Tesfaye Teferi Anbesse Certified Audit Firm	Addis Ababa	ADF00058	Addis Ababa
147	Tesfaye Tessema Shibeshi Certified Audit Firm	Addis Ababa	ADF00022	Kirkos
148	Tewodros Assefa Beshah Certified Audit Firm	Addis Ababa	ADF00081	Kirkose
149	Tewodros Hailu And Fikre Menta Audit Service Partnership	Addis Ababa	ADF00007	Kirkos
150	Tibebe Mengistu Certified Audit Firm	Addis Ababa	ADF00070	Addis Ababa
151	Tigist Temwari & Eyob Teshome Certified Audit Service General Partnership	Addis Ababa	ADF00031	Nifas Silk Lafto
152	Tigistu Habte Dibaba Certified Audit Firm	Addis Ababa	ADF16127	Bole
153	Tinsae Tekeste Dires Certified Audit Firm	Addis Ababa	ADF00035	Yeka
154	Tolessa Beyene Hirpa Certified Audit Firm	Addis Ababa	ADF00220	Lideta
155	Wegderes Nigusie Certified Audit Firm	Addis Ababa	ADF00037	Yeka
156	Wondu Bekele Certified Audit Firm	Addis Ababa	ADF 00211	Bole
157	Wubshet And Alemayehu Audit Service Partnership	Addis Ababa	ADF00200	Nifas Silk Lafto
158	Wudu & Hussien Certified Audit Partnership	Addis Ababa	ADF00180	Bole
159	YA Certified Audit Service LLP	Addis Ababa	ADF00254	Bole

160	Yared Desalegn Feyssa Certified Audit Firm	Addis Ababa	ADF00079	Yeka
161	Yitages Tefera Certified Audit Firm	Addis Ababa	ADF00195	Addis Ababa
162	Yohannes Kindeya Authorized Audit Firm	Addis Ababa	ADF00131	Addis Ababa
163	Yonas Admasu Legesse Certified Auditing Firm	Addis Ababa	ADF00245	Addis Ababa
164	Yonas Ewketu Neda Chartered Certified Audit Firm	Addis Ababa	ADF16121	Kirkos
165	Yonas Fekede Bongor Certified Audit Firm	Addis Ababa	ADF00176	Addis Ababa
166	Yonatan Esayas Certified Audit Firm	Addis Ababa	ADF00234	Bole
167	Yonatan Tiruye Mengistu Certified Audit Firm	Addis Ababa	ADF00226	Kirkos
168	Zemedhun Adane Befirdu – Certified Audit Firm	Addis Ababa	ADF00078	Addis Ababa
169	Zerihun Eshetu Alemu Certified Audit Firm	Addis Ababa	ADF00237	Lideta