ST.MARY'S UNIVERSITY
SCHOOL OF POST GRADUATE STUDIES

DETERMINANTS OF EXTERNAL AUDIT QUALITY: THE CASE OF PRIVATE AUDIT FIRMS

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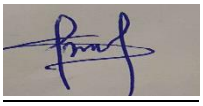
External Examiner -Abebaw Fissha(Ass.Prof) Signature 

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ACKRONYM

AABE- Addis Ababa Accounting in Auditing Board of Ethiopia

ACCA- Association of Chartered Certified Accountants

CPD- continuing professional development

EPAAA- Ethiopian Professional Association of Accountants & Auditors

IFRS- international financial reporting standards

IAASB- International Auditing and Assurance Standards Board

OFAG -Office of the Federal Auditor General

Abstract

The aim of this study is to identify the factors affecting external audit quality in Ethiopian audit firms. The study adopted explanatory research design and quantitative method of research approaches .The study uses primary data that collected using close ended questionnaires. From the total population of Two hundred seventeen external audit firms licensed and registered in Addis Ababa Accounting in Auditing Board of Ethiopia (AABE), Sixty five audit firms are selected based on convenience sampling and one hundred forty questionnaires are distributed. Seven questionnaires are distributed for each firm. The questionnaires are answered by principal/partners, Director/ Audit Managers, senior and Junior audit position. The results of multiple regression reveal that auditors' level of education, professionalism, and auditors' information and technology usage have positive and significant effects on external audit quality . The result further shows auditors' work experience and Auditors' evidence-based approach and have a positive and negative with insignificant effect on external audit quality respectively. Therefore, this is a clear signal to audit firms, professional associations and the Accounting and Auditing Board of Ethiopia (AABE) not to ignore the key determinant factors of Auditors' professionalism, auditors' level of education, and auditors' information and technology.

***Keywords**: External audit, Level of Education, Professionalism , Work Experience , Evidence-based approach and Information and Technology .*

Chapter One

Introduction

This chapter serves as the introduction to the entire study, offering initial insights into the study's context and underlying assumptions. It covers key aspects, including the background of the study, statement of the problem, fundamental research questions, study objectives, research hypotheses , significance of the study, scope of the study, and the organizational structure. It begin by presenting the background of the study, providing a foundation for the subsequent exploration.

1.1 Background of the study

Audit plays a pivotal role in the development and advancement of the global economy and business firms. The confidence of investors is crucial for the effective functioning of the world's financial markets. In the process of making decisions related to capital allocation, investors depend on the assurance that the financial information provided to them is not only credible but also reliable. The credibility and reliability of financial information, ensured through the audit process, are essential factors that add confidence in investors and contribute to the overall trust and stability of the financial markets .Khaled Isam AL-Qatamin , Zalailah Salleh(2020)

The foundation of government auditing in Ethiopia dates back to Proclamation No. 69/1944. Under the Revised Constitution of 1955 (1948 E.C.), the Auditor General had the responsibility to report to the Emperor and the Parliament on the government's financial operations. This role granted the Auditor General access to all books and records of government accounts. Decree No. 32 of 1958, later renumbered as Proclamation No. 179/1961, amended the functions of the Auditor General, addressing the appointment, independence, powers, and duties. The Auditor General, appointed by the Emperor, reported to both the Emperor and the Parliament.

Following the 1974 Ethiopian Revolution, Proclamation No. 164 of 1979 expanded the powers and duties of the Auditor General. This included the additional responsibility of auditing mass organizations, development projects, and conducting performance audits. Challenges arose during

the nationalization program, as the Office of the Auditor General faced difficulties in coping with the increasing number of public enterprises due to a lack of qualified manpower.

Subsequently, the National Shengo enacted Proclamation No.13/1987 to establish the Office of the Auditor General of the People's Democratic Republic of Ethiopia. This proclamation remained in effect until the introduction of the new Federal Government structure in 1994. Until this restructuring, the Office of the Federal Auditor General (OFAG) stood as the sole government audit institution in Ethiopia. However, Proclamation No. 7/1992 during the transition period had already laid down the foundation for National/Regional State-Governments. Article 8(e) of this proclamation emphasized the establishment of an audit and control office for every National/Regional self-government, with Article 15(h) granting each National/Regional council the authority to establish the Audit and Control Office.Tadele Dereje(2012)

These study has provided two justifications for undertaking this specific study. Firstly, Gebre (2020) highlighted a significant gap within private Certified Audit Firms in Ethiopia. Specifically, it emphasized the importance of the number of staff assigned per audit engagement as a critical factor in achieving audit quality. The study recommended that private audit firms in Ethiopia should assign a greater number of staff to audit engagements to enhance the quality of audit work. Secondly, the research acknowledges that the determinants of audit quality are a contentious and debatable subject. While existing literature has explored this area, the researcher contends that there is still room for future studies to contribute and add value to the existing body of knowledge.

According to Tensae (2020), it is evident that private Certified Audit Firms in Ethiopia exhibit a discernible gap that requires attention. The study emphasizes the need for proactive measures, asserting that professional associations and the Accounting and Auditing Board of Ethiopia (AABE) should closely consider the findings, particularly in relation to the impact of regulation on audit quality. The study suggests that these entities should design and implement effective regulatory frameworks within the audit industry to enhance stakeholders' trust in audited financial statements.

Additionally, the study highlights persisting challenges that hinder accounting professional associations from playing a pivotal role in regulating the auditing practice. The unresolved issues surrounding the regulation of the auditing industry in Ethiopia are identified as significant concerns. In response to these observations, the student researcher is motivated to conduct an investigation into the determinants of external audit quality at private Certified Audit Firms, aiming to contribute insights that may address these challenges and promote regulatory improvements in the Ethiopian auditing landscape.

Therefore, this study centers on a specific private Certified Audit Firm, recognizing the critical importance of audit quality in this sector for attaining national economic objectives. Despite this significance, there is a known scarcity of research specifically investigating the determinants of external audit quality within private Certified Audit Firms in Ethiopia, with a particular emphasis on those situated in Addis Ababa.

1.2 Statement of the Problem

The quality of external audits performed by private audit firms in Ethiopia is critical to ensuring accurate and reliable financial reporting, which is essential for maintaining investor confidence and the integrity of financial markets. However, various determinants significantly impact the effectiveness and integrity of these audits, posing substantial challenges to audit quality. Key issues include a shortage of qualified and trained audit staff, insufficient compensation, and inadequate oversight and follow-up by the Auditors and Accountants Board of Ethiopia (AABE).

Furthermore, external auditors frequently struggle with maintaining their independence due to conflicts of interest, inadequate training and development opportunities for junior auditors, and poor planning and preparation of audit engagements. The pressure to complete audits quickly often results in compromised thoroughness and accuracy. Additionally, the lack of cooperation from internal auditors, delays in the preparation of financial statements by clients, and unsatisfactory responses to audit queries further exacerbate these problems.

Moreover, the auditing process is hampered by missing vouchers and source documents, misconceptions about the role and responsibilities of external auditors, and poor record-keeping practices by clients. The weak adoption and implementation of modern information technology systems in audit practices further limit the effectiveness and efficiency of audits.

These challenges collectively undermine the overall quality of external audits conducted by private audit firms in Ethiopia. As a result, there is a pressing need to identify and address these determinants to enhance the credibility, reliability, and effectiveness of external audits. This research aims to explore these factors in depth, providing insights and recommendations to improve audit practices and standards within the industry.

1.3 Objective of the Study

The objective of the study consists of general and specific objectives.

1.3.1 General Objective of the Study

The general objective of this research is to examine the determinant of external audit quality in private Certified Audit Firms in Addis Ababa Ethiopia .

1.3.2 Specific objective of the Study

This study try to address the following specific objective which are drawn from the general objective.

- To determine the influence of External auditors' Level of education on Audit Quality in private Certified Audit Firms.
- To examine the influence of External auditors' Professionalism on Audit Quality in private Certified Audit Firms.
- To investigate the influence of External auditors' work experience on Audit Quality in private Certified Audit Firms.
- To find out the influence of External auditors' evidence-based approach audit on Audit Quality in private Certified Audit Firms.

- To find out the use of Information and Technology on External auditors' on Audit Quality in private Certified Audit Firms.

1.4 Research Hypothesis

The study examined the following hypothesis:

- H1 There is a positive and significant effect of External auditors' Level of education on Audit Quality.
- H2 There is a positive and significant effect of External auditors' Professionalism on Audit Quality.
- H3 There is a positive and significant effect of External auditors' work experience on Audit Quality.
- H4 There is a positive and significant effect of External auditors' evidence-based approach on Audit Quality.
- H5 There is a positive and significant effect of External auditors' use of Information and Technology on Audit Quality.

1.5 Significance of the Study

These research paper holds practical significance within the existing body of knowledge concerning Certified Audit Firms, aligning with the outlined study objectives. Beyond these objectives, several notable significance's arise:

1.Internaational Standards and Quality Control: This research addresses a crucial concern surrounding the issuance of international standards for quality control in external audit work. It delves into the factors and variables influencing the quality of audit work, providing valuable insights for the potential application of quality control measures in auditors' firms in Ethiopia.

2.Academic Contribution: This study contributes to academic discourse by shedding light on the factors impacting audit quality. The findings can stimulate debate and further research in academic circles, enriching the understanding of audit quality dynamics.

3. Guidance for Regulators and Policymakers: The research findings serve as evidence that can guide regulators and policymakers. By identifying gaps in the study, the research acts as a road map for future investigations, assisting in the selection of relevant topics and pinpointing areas that warrant further exploration. This information can inform policy decisions related to audit quality in the context of Certified Audit Firms in Ethiopia.

In summary, the research not only fulfills its specific objectives but also extends its impact to contribute meaningfully to the academic field and provide insights that can shape international standards and regulatory considerations in the field of external audit quality.

1.6 Scope of the Study

Conceptually, this study concentrates on exploring the impact of five specific variables recognized as determinants of Audit Quality: External Auditors' Level of education , External Auditors' Professionalism, External Auditors' Work Experience, External Auditors' Evidence-Based Approach, and External Auditors' Impact of Information and Technology . Acknowledging the existence of other potential factors such as audit tenure, internal control, and accountability, the study takes a methodological delimitation approach. This means that the focus is intentionally narrowed to these specified variables, allowing for a more in-depth investigation into their influence on audit quality. By doing so, the study provides a targeted analysis while recognizing the broader context of additional factors that could potentially impact audit quality.

Geographically, encompassing all staff members of Registered Certified Audit Firms throughout Ethiopia for this study is deemed challenging and impractical. Moreover, the rationale for specifically selecting the staff of Certified Audit Firms in Addis Ababa is grounded in the proximity of the student researcher to this location. Consequently, the study deliberately narrows its geographic focus to concentrate solely on selected Certified Audit Firms located in Addis Ababa. This strategic decision aims to enhance the feasibility and manageability of the research,

ensuring a more focused and effective examination of the chosen variables and their impact on audit quality

Methodologically, this study adopts a quantitative research approach, employing an explanatory research design. The sampling technique utilized is probability sampling, chosen to align with the defined population of the study area. Furthermore, in terms of the temporal scope, this research adopts a cross-sectional survey design. The cross-sectional survey is conducted over a one-year time period, signifying that data collection and analysis are concluded within this specified time frame. This methodological approach allows for a systematic and structured investigation into the determinants of audit quality within the chosen parameters and time frame.

1.7 Limitations of the study

The study focuses on specific elements of audit quality, namely External Auditors' Level of Education, External Auditors' Professionalism , External Auditors' Work Experience, External Auditors' Evidence-Based Approach, and External Auditors' Impact of Information and Technology accountability are intentionally excluded from consideration in this study. However, it is acknowledged that empirical studies by Singhal (2014), Dunmire (2012), Deloitte (2007), Ismail and Cieh (2013), Gul and Fung (2014), Kassem and Higson (2015) and Kanbiro Orkaido Deyganto (2021)suggest that these excluded factors may play a significant role in influencing audit quality.

The decision to exclude certain factors is made with an awareness of the existing body of literature, which proposes revisions to the determinants of audit quality, especially in the context of developing countries. Consequently, the results of this study may not be fully representative of the comprehensive spectrum of factors influencing audit quality, given the deliberate omission of specific elements identified in prior research.

1.8 Organization of the paper

The research report is structured into five chapters. Chapter one serves as an introduction, covering the background of the study, statement of the problem, research questions, objectives, research hypothesis, significance of the study, scope of the study, operational definitions of key terms, limitations, and the organizational framework of the study. Chapter two takes into a comprehensive review of relevant literature, presenting both theoretical and empirical foundations that holds the study. Chapter three outlines the research methodology, encompassing the research approach, design, data type and source, determination of target population and sample size, sampling techniques, methods of data collection, constructs measurement, data analysis methods, and ethical considerations. In chapter four, detailed results and discussions of the study are presented, providing an in-depth analysis of the findings.

The final chapter, chapter five, comprises the summary of findings, conclusions, and recommendations. The summary of findings is derived from the results presented in chapter four. Conclusions are drawn based on the summary of findings, culminating in practical recommendations for future actions or improvements. This organized structure ensures a logical flow and systematic presentation of the research process, outcomes, and implications.

Chapter Two

Literature Review

2.1. Review of conceptual literature

2.1.1 Concept of Auditing

The term "audit" commonly refers to a financial audit or the examination of financial records. It involves the review or inspection of a company's or individual's accounts by an independent entity. Auditors can be internal, working directly for the company, or external, employed by a third-party firm. Nearly all companies undergo an annual audit of their financial statements, encompassing key documents such as the income statement, balance sheet, and cash flow statement. External audits are often mandated by lenders as an annual requirement within debt covenants. Some companies are legally obligated to conduct audits, primarily due to the significant incentives for intentional misrepresentation of financial information, which could lead to fraudulent activities. Audits serve as a vital mechanism for ensuring the accuracy and reliability of financial statements and play a crucial role in maintaining transparency and integrity within the financial reporting process. An audit involves an impartial evaluation of a specific organization, system, process, project, or product. The focus of the audit is to assess compliance with predetermined standards, benchmarks, checklists, laws, norms, or the internal regulations of the organization, such as policies and procedures. In the context of financial and organizational aspects, an audit entails the examination of a company's assets, a valuation of its financial standing, and an analysis of its future prospects, typically conducted by knowledgeable experts.

Financial auditing, or a financial audit, constitutes an official examination and verification of a business's financial records. The primary objective of auditing is to ensure the accuracy of a company's financial statements and their adherence to regulatory guidelines. Auditing plays a crucial role in providing investors, creditors, and other stakeholders with reasonable assurance regarding the reliability and integrity of a company. It is essential to recognize that auditing does not offer an absolute guarantee that every figure reported in a company's financial statements is

precise. Auditors operate within a specific, acceptable margin of error known as materiality. The extent of materiality is influenced by factors such as the size of the company and its reported revenue and expenses. Alicia Tuovila (2023)

2.1.2 Quality Audit Concept

The International Auditing and Assurance Standards Board (IAASB) has formulated a Framework for Audit Quality, delineating the input, process, and output factors that contribute to audit quality at the engagement, audit firm, and national levels, specifically for financial statement audits. The Framework emphasizes the significance of appropriate interactions among stakeholders and underscores the impact of various contextual factors. Although the term "audit quality" is commonly used in discussions among stakeholders, regulators, standard setters, and audit firms, there is no universally recognized definition or analysis of audit quality due to its inherent complexity. The primary purpose of an audit is to heighten the confidence of intended users in the financial statements. This is achieved by auditors gathering sufficient, appropriate audit evidence to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework (ACCA, 2014).

Audits exhibit higher quality at the input level when those conducting audit tests are competent and independent, and when the testing procedures employed yield reliable and relevant evidence. The quality of audit inputs extends to the audit process, where higher-quality audits result from the engagement team making sound decisions about specific tests and appropriately evaluating the evidence, ultimately leading to the audit report. The accounting firm itself significantly influences audit quality, as it develops testing procedures, creates incentives affecting engagement team behavior, and influences the motivation of firms and individual auditors to produce high-quality audits. The regulatory institutions overseeing auditing play a crucial role in shaping the incentives for audit quality by imposing consequences for misconduct and low-quality audits (Francis, 2011).

Francis (2011) asserts that audit quality is not a singular concept or measurement but is better understood as a multi-dimensional concept with multiple attributes contributing to its overall quality. This perspective aligns with recent regulatory suggestions to measure and publicly disclose indicators of audit quality (PCAOB, 2015; Financial Reporting Council, 2020).

2.1.3 Schools of Thoughts of Audit Quality

2.1.3.1 Deangelo's Definition of Audit Quality

DeAngelo (1981) characterizes audit quality as "the likelihood, as assessed by the market, that a particular examiner will both identify a discrepancy in the client's accounting system and disclose it to third parties." This definition encompasses two key aspects of audit quality: (1) the ability to detect inaccuracies depends on the examiner's skills, experience, methodologies employed during the audit, the extent of testing, and audit review technology; and (2) the independence of the auditor, indicating how autonomous the auditor is from the client in reporting such discrepancies. While widely cited, this definition poses challenges in observation and measurement. Therefore, audit quality assessments based on this definition rely on indirect methods, utilizing indicators. DeAngelo's definition links audit quality directly to financial reporting quality. A financial report in which all accounting discrepancies have been identified and reported by the auditor signifies high audit quality. Consequently, the extent of assurance that no material error remains undetected and unreported becomes the gauge of audit quality in DeAngelo's framework. Proponents of this perspective include Palmrose (1988), emphasizing the accuracy of information auditors provide to investors; Epstein and Geiger (1994), focusing on the probability of auditors detecting and reporting inaccuracies; and Knechel (2009), who views audit quality as the achieved level of assurance.

2.1.3.2 Level of Compliance with Standards

Another approach to define audit quality takes a more regulatory perspective. This approach, wherein audit quality is contingent upon the degree of compliance with auditing standards, is advocated by scholars such as Ang and Cole (1993), Becker (1998), and Bagnoli, Penno, and Watt (2001). According to this perspective, the auditor demonstrates exceptional quality if they fully adhere to all relevant standards. Here, the level of compliance with auditing standards serves as a reflection of audit quality. Peer review findings, oversight board analyses (such as the OFAG in Ethiopia), and legal claims against auditors are considered the most effective indicators of audit quality in this context. Critiques of this approach are evident. The ultimate objective of an audit is not merely to comply with relevant standards but rather to ensure high-quality financial reporting.

2.1.4 Underpinning Theories of External audit Quality

Theory aids analysts and individuals in understanding the relationships among objects and related instruments, as well as how the world operates. The presence of theory necessitates the use of logical assumptions regarding objects. According to Hendriksen (1970), theory is defined as a systematic arrangement of theoretical, conceptual, and practical principles forming the overall framework of reference for a field of inquiry. Theory is not regarded as a mere 'hunch' and is not a ready-made concept to be employed at will or under exceptional circumstances. Consequently, the term 'conscious' is associated with the notion of theory that relies on logical reasoning (Hendriksen, 1970). It is implied that the concept of theory should be consistent with human behavior to provide guidance and explanation about a particular phenomenon (Deegan and Unerman, 2011). Since auditing necessitates the presence of an auditor, auditing is considered a human activity. Thus, human behavior needs to be incorporated into economic auditing theories (Deegan and Unerman, 2011). This study primarily utilizes positive theory rather than normative or prescriptive theories. Normative theories propose events and what should be done, whereas positive theory relies on empirical evidence and observations. Despite auditing quality being subject to research since the mid-1980s, there is no universally agreed theoretical basis on auditing quality (Dowling and Bloodsucker, 2011). A review of the literature reveals that four main theoretical frameworks have been utilized to explain and analyze the relationship between earnings management and external audit determinants: Agency theory, Stakeholder theory, Stewardship theory, Signaling theory, and Institutional theory. Therefore, each of the aforementioned theories related to external audit quality and its determinants is comprehensively discussed in this specific section in a systematic manner.

2.1.4.1 Agency Theory

Agency theory posits an agreement between shareholders (principals) and external auditors to oversee the work of other agents (management). Shareholders (managers) delegate tasks to be carried out by management (agents), primarily involving operating the organization on behalf of shareholders to fulfill their objectives. Auditors play an intermediary role between shareholders and management to validate financial statements prepared by management. The fundamental premise of agency theory is that managers are primarily driven by their own interests and tend to exploit their own interests rather than considering shareholders' preferences and maximizing

shareholder value. For instance, managers may be inclined to invest in luxurious offices, company vehicles, and other extravagant items, since the cost is borne by the owners. This pursuit of personal gain increases costs for the firm, which could include expenses related to the negotiation of contracts, losses due to decisions made by the agents, and the costs of monitoring and controlling the actions of the agents. Leuz (2003) argues that the effects of such behavior ultimately manifest in the company's earnings. Consequently, management has an incentive to manipulate the company's reported earnings to meet or exceed earnings targets and, thus, to receive any bonuses that may be tied to the company's earnings (performance-related compensation). This creates an information asymmetry in which managers can exercise the discretion they have over accruals, which in turn diminishes the relevance and reliability of reported earnings and the entire financial statements. Davidson (2005) contends that when management provides inaccurate financial reporting information, it presents earnings management as a type of agency cost. Consequently, managers cannot be fully trusted. Thus, rigorous monitoring of managers by either the board or external auditors is considered essential to safeguard shareholders' interests from being undermined when managers prioritize their personal gain at the expense of the organization's profit. Therefore, the central problem highlighted by agency theory is ensuring that managers pursue the interests of shareholders and not just their own interests.

2.1.4.2 Stewardship (Monitoring) Theory

Resources; their behavior is also influenced by non-financial motives such as the need for recognition of their achievements and performance (Vanden, 2004). Thus, the managers' role is to provide guidance and advice rather than to monitor. Stewardship theory builds upon agency theory (Jensen and Meckling, 1976): the separation of ownership and control motivates owners to incur costs to monitor the actions of the managers. One such control mechanism is the hiring of an external auditor who verifies the accuracy of the financial information provided by the managers. Therefore, the stewardship (monitoring) theory views external auditing as a tool that can help mitigate the conflict of interest among firm managers, shareholders, and other external stakeholders by enhancing the credibility of publicly disclosed financial information (Chow, 1982). Stewardship theory regards external auditors as a support mechanism for steward CEOs rather than a controlling mechanism (Reed and Davis, 2004). It also suggests that management is

less likely to engage in earnings management. However, the issue lies in the extent to which management endeavors to achieve good corporate performance.

2.1.5 Measuring Audit Quality

The absence of a unified concept or definition of audit quality among fully engaged stakeholders has rendered it ambiguous and challenging to endorse or even measure directly. This difficulty in measuring the quality of the audit stems from the fact that the sole output of the audit is the report of the visually and read inspector, which is a general overview, and that most reports provided by auditors are standard reports with non-modified opinions (the so-called clean report). Krishnan and Schaur (2000) suggest that to measure the quality of a product, there are two methods (direct and indirect methods) with alternative approaches (such as product acclaim or company reputation). Concerning audit quality, there are two common methods for measuring audit quality: The indirect method: It includes alternative approaches such as the size of the audit firm, the auditor's reputation, the length of the contract with the client, the provision of services other than the audit process, the frequency of legal disputes related to the auditor's work, and experience in the industry, among others.

2.1.6 Regulatory Frameworks on audit Quality

2.1.6.1 IAASB Framework on Audit Quality

As research on audit quality remains unsatisfactory, some non-academic institutions have established various frameworks. The most recent framework, still in draft form, is an international initiative conceived by the International Auditing and Assurance Standards Board (IAASB). In a comprehensive approach, the IAASB considers all potential influences on audit quality, which are categorized as: (1) Inputs, (2) Outputs, (3) Interactions among key stakeholders, and (4) Contextual factors. The IAASB initially outlined the framework in a whitepaper released in January 2011. The whitepaper acknowledges previous attempts to define audit quality but notes that none have garnered universal recognition and acceptance. It emphasizes that audit quality is inherently a complex and multi-faceted concept. Through several IAASB sessions, a framework sketch was developed to illustrate the relationships between the elements: context, inputs, outputs, and interactions. Inputs are grouped into three categories: (a) the values, ethics, and attitudes of

individual auditors, (b) the knowledge and experience of auditors and the time allotted for audit performance, and (c) the effectiveness of the audit process and quality control procedures. Outputs are often determined by the context, including legislative requirements, and can be influenced by stakeholders. For some stakeholders of certain companies, the auditor's report serves as the primary output, which tends to be relatively standardized. Interactions among key stakeholders encompass both formal and informal communications, which are influenced by the audit's context and allow for a dynamic relationship between inputs and outputs within the framework. Contextual factors include corporate governance requirements, applicable financial reporting frameworks, legislative and regulatory requirements, all of which shape interactions among key stakeholders.

2.1.6.2 UK Financial Reporting Council's Framework on Audit Quality

A similar framework was established five years earlier by the UK Financial Reporting Council (FRC). The FRC identified four primary drivers for audit quality:

1.The culture within an audit firm.
2.The skills and personal qualities of audit partners and staff.
3.The effectiveness of the audit process.
4.The reliability and usefulness of audit reporting.

Both frameworks, the UK FRC's and the IAASB's, focus on a process view of auditing, wherein inputs are efficiently combined to achieve a certain outcome (assurance level), within a specific contextual environment. From a content perspective, the UK Financial Reporting Council covers the same elements and attributes as the IAASB does. However, the IAASB framework on audit quality is more comprehensive and detailed. Consequently, the FRC's framework at the national level may soon become obsolete and be replaced by the forthcoming international framework from the IAASB.

2.1.7 Determinants of External Audit Quality and Hypotheses development

2.1.7.1 External auditors' Level of Education

External auditors' level of education is crucial for ensuring competence in the audit of financial statements. While some professional accountants may offer a broad array of accounting and business-related services, specialization within the profession is essential to provide a depth of knowledge and expertise in specific areas. The audit of financial statements is one such specialized area, requiring a higher level of education and training in audit and related fields compared to other areas of accountancy. Professionals involved in financial statement audits within specific industries may require even greater specialization due to industry-specific laws and accounting practices.

The International Education Standards for Professional Accountants, established by the IFAC Education Committee in 2005, outline the essential elements of education and development for professional accountants. These standards set minimum competence requirements that IFAC member bodies are expected to enforce before allowing their members to undertake significant roles in financial statement audit assignments. Different levels of responsibility within audit assignments necessitate varying levels of competence, and the standards serve as a benchmark for all audit professionals.

To meet the capabilities required of audit professionals, professional accountants may need additional education and development beyond their initial qualification. This could include advanced professional education at academic institutions or through professional body programs, on-the-job training, off-the-job training, and continuing professional development (CPD) courses and activities. IFAC member bodies may choose to impose specific requirements, such as prescribing CPD activities tailored for audit professionals, in addition to the minimum benchmarks outlined in the standards. Thus ,we proposed the first hypothesis as follow.

- H1: There is a positive and significant effect of External auditors' Level of education on Audit quality.

2.1.7.2 External Auditors Professionalism

Professionalism in auditing is not achieved overnight. Rather, it is a process that evolves from focused commitment, continuous learning, and professional development, alongside ethical conduct and dedication to hard work. Certification distinguishes professional auditors by documenting their mastery of the field and attributes of internal auditing. Achieving certification requires extensive preparation, study, knowledge, and experience, demonstrating a commitment to professionalism (The Institute of Internal Auditors, 2015).

Professionalism is essential for effective management, successful organization, and critical to corporate performance, consumer satisfaction, and investor confidence. It is crucial in the business environment, evolving and adapting with changing business cultures and conditions (The Institute of Internal Auditors, 2015).

The requirements for those entering the auditing profession are rigorous. Auditors are expected to possess considerable technical knowledge and expertise to complete tasks effectively. Additionally, auditors must demonstrate skills in leadership, teamwork, communication, decision-making, and professionalism (Johnstone, 2016).
Central to professional behavior in auditing is the judgment and decision-making process. Behaviors such as skeptical judgments, knowledge sharing, and communication play a significant role in the audit process (Bik, 2010).

The development of the auditing profession has led to significant changes in the organizational structures of international accounting firms. The Big 4 auditing firms, operating globally, have become increasingly influential, shaping the profession's standards and practices (Humphrey, 2009).

The International Federation of Accountants (IFAC) plays a vital role in codifying and standardizing the assurance profession. Through independent standard-setting boards, IFAC sets international auditing and assurance standards, promoting professionalism and ethical conduct among professional accountants (Bik, 2010).

Locally, in Ethiopia, the Ethiopian Professional Association of Accountants and Auditors (EPAAA) was established by the government but has not made significant progress due to a lack of regulatory control over entry into professional practice. Consequently, professional accountants certified by recognized professional bodies from other countries are authorized to practice public accounting in Ethiopia, with the Association of Chartered Certified Accountants (ACCA) being actively involved in the Ethiopian market (World Bank, 2007).Accordingly the second hypothesis is developed as follow

- H2: There is a positive and significant effect of External auditors' Professionalism on Audit Quality.

2.1.7.3 External Auditors' Work Experience

Professional experience stands as a cornerstone determinant influencing the efficiency of performance within professional practice. Behavioral studies have consistently demonstrated that performance quality in a specific area improves with experience, leading to heightened research interest in the subject of professional experience within accounting and auditing (Bedard and Chi, 1993). Professional experience encompasses the knowledge and proficiency acquired over time from past experiences, direct feedback, and general knowledge, culminating in task accomplishment at a high standard.

External auditors hold a vital role within organizations. Percy (2007) highlights that users of financial statements seek audit practices that encompass several duties, including ensuring accuracy in accounts, preventing company failure, guarding against fraud and error, ensuring compliance with regulations, competent management, and responsible consideration of environmental and societal factors.

Audit experience correlates with the duration of an auditor's tenure and the number of completed audit engagements. Typically, audit expertise increases with more experience in conducting audit tasks, thereby enhancing audit quality, particularly in conducting assessment audits. Conklin (1993) observed that individuals with more experience in a specific field demonstrate greater ability in developing specific cases related to auditor experience. However, previous studies on the effects of experience on audit judgments have produced mixed results, possibly due to inadequate consideration of the knowledge required for task completion and its acquisition timeline (Bonner, 1990).

As a discipline, audit relies on competent individuals applying their experience, integrity, objectivity, and professional skepticism to make sound judgments. The audit department must possess a diverse range of skills and experience necessary for effectively fulfilling the audit mandate. Individuals conducting audit work should possess education and experience commensurate with the nature, scope, and complexities of the audit task (Deloitte, 2007).

An auditor should have work experience in technical, managerial, or professional capacities, along with judgment, problem-solving, and communication skills. Attendance at auditor training programs contributes to the development of the necessary knowledge and skills for conducting audits. The hypothesis developed as follow.

- H3: There is a positive and significant effect of External auditors' work experience on Audit Quality

2.1.7.4 External Auditors' Evidence Based Approach Top of Form

Audit evidence encompasses any information utilized by the auditor to ascertain whether the audited information complies with established criteria. It forms the basis for the conclusions upon which the auditor's opinion and report are grounded. This evidence comprises data from accounting records underlying financial statements as well as other relevant sources. It is essential for supporting the auditor's opinion and is typically accumulated through various audit procedures conducted during the audit process. However, it can also include information from previous audits or the firm's quality control procedures for client acceptance and continuance. Additionally, audit evidence may involve materials prepared using management's experts' work.

Audit evidence serves to both support and corroborate management's assertions while also considering any information that contradicts those assertions. Furthermore, in certain instances, the absence of information, such as management's refusal to provide requested representations, is considered audit evidence as well (IFAC, 2008).

According to IFAC's International Standard on Auditing 500 (2008), the sufficiency and appropriateness of audit evidence are intertwined. Sufficiency refers to the quantity of audit evidence, influenced by the auditor's assessment of the risks of misstatement and the quality of the evidence. Appropriateness, on the other hand, pertains to the quality of audit evidence, including

its relevance and reliability in supporting the auditor's conclusions. The reliability of evidence depends on its source and nature, with more assurance typically derived from consistent evidence obtained from diverse sources.

For instance, corroborating information from independent sources, such as confirmations from third parties or analysts' reports, enhances the reliability of audit evidence generated internally. IFAC's standard provides guidance on what constitutes audit evidence, laying the foundation for evidence-based approaches in auditing, The hypothesis postulated as follow.

- H4: There is a positive and significant effect of External auditors' evidence-based approach on Audit Quality.

2.1.7.5 Impact of Information and Technology External Auditors'

Technology has fundamentally transformed the landscape of external auditing, offering a myriad of tools and capabilities that enhance auditors' efficiency, accuracy, and depth of analysis. Automation streamlines manual tasks, freeing auditors to focus on higher-value activities. Data analytics empowers auditors to extract insights from vast datasets swiftly, uncovering patterns and anomalies that may indicate risks or opportunities. Artificial intelligence and machine learning technologies enable auditors to perform advanced analyses and detect irregularities with greater precision. Additionally, remote auditing capabilities facilitated by technology allow auditors to conduct audits efficiently without physical presence, while block chain ensures the integrity and transparency of financial data. Despite these benefits, auditors must remain vigilant about cyber security risks and adapt to the evolving regulatory landscape to harness the full potential of technology in delivering reliable audit services.

The computerization of many tasks that are currently performed by humans, such as data entry and analysis, is the primary reason for its growing popularity. This has made audits much more efficient and cost-effective, providing audit teams with greater insights into the business they are auditing (Hassan 2022). Another benefit of using AI in auditing is that it can help to reduce the risk of human error. By automating certain tasks, audit teams can easily identify and correct any mistakes that may be made. This is particularly important in cases where the accuracy of financial data is crucial (Omoteso 2012).

There are a number of ways that AI can be used in auditing. It can be used to help with data analysis and the review of documents and to help with the decision-making process. In addition, AI can be used to create customized reports specific to an organization's needs (Gentner et al. 2018).

Some studies focus on how AI is being used in auditing. For instance, Schulenberg (2007) investigated how AI is being used in auditing through "Cognitive Auditing". Cognitive auditing is a computerized process that uses AI to help auditors find errors and issues in financial reports. IBM created cognitive auditing, which employs machine learning algorithms to assist auditors in identifying mistakes and anomalies in financial reporting (Schulenberg 2007). Another study (Gentner et al. 2018) confirmed that AI is being used in auditing to help auditors find errors and issues in financial reports faster. It is also being used to help auditors identify patterns in data and make predictions or decisions.

Nwakaego and Ikechukwu (2015) mentioned that AI is revolutionizing the auditing process and AI-enabled auditing software can carry out complex audits much more efficiently and accurately than humans can. It can also analyze large volumes of data much more quickly and effectively than a human auditor can. This means that AI can play a much more vital role in the auditing process and is likely to become increasingly important in the years to come. Chassignol et al. (2018) focused on the use of AI in helping auditors to identify and prevent fraud. AI can be used to identify patterns in data that may indicate fraud is taking place. This can then be used to investigate the matter further and arrest those responsible. AI has enormous potential to improve the overall auditing process, as it can speed up the process enormously and help ensure that audits are carried out accurately and efficiently. As AI continues to develop, its role in auditing will likely become even more significant. According to Lin and Hazelbaker (2019), AI will enhance the quality of accounting activities and offer more meaningful information, whereas Nickerson (2019) agreed that it could increase productivity by performing other high-level tasks and creating new jobs.

Similarly, Greenman (2017) believes that it is common for the job description of accountants to develop throughout time. To accomplish business objectives, accountants can utilize AI technology and concentrate on more complex duties (Lin and Hazelbaker2019). According to a report by the Association of Chartered Certified Accountants (ACCA), AI would enable accountants to refocus their efforts from traditional activities such as bookkeeping and transaction recording to services such as consultation, advising and growth planning (Jariwala 2015).

According to Kokina and Davenport's (2017) argument, it becomes difficult to incorporate massive amounts of structured and unstructured data to gain insight into a company's financial and non-financial performance. As a result, auditing is well suited to data analytics and AI applications. Similarly, automating audit tasks can speed up audit assignment completion while maintaining data integrity. Automatic analysis of accounting entries is one way in which AI is transforming auditing (Baldwin et al. 2006). According to Moffitt et al. (2018), utilizing AI to create automatic entries helps reduce human mistakes and sometimes detect fraudulent intrusion to decrease human intervention.

AI is introducing audit effectiveness and efficiency in a variety of ways. AI is evolving at an impeccable time, as suggested by Hemin (2017). Auditors today must sift through massive amounts of data and make sense of it in a short period. For example, entering accounting data into auditing software allows auditors to collect processed data in the background.

There are several potential contributions that AI could bring to the audit process, including improving accuracy and efficiency. AI can help automate specific tasks, such as data entry and analysis, improving accuracy and speeding up the auditing process. AI can help to generate more insights and understanding of complex data sets, which can improve the accuracy and reliability of audit reports (Hassan 2022). AI can help to improve communication and collaboration between auditors and other stakeholders, enabling better decision-making and improved audit quality, The final hypothesis constructed as follow.

- H5: There is a positive and significant effect of External auditors' use of Information and Technology on Audit Quality.

2.2 Empirical Literature Review

Kimberly A. Dunn from the School of Accountancy at Florida Atlantic University conducted a study in 2000 titled "Auditor Industry Specialization and Client Disclosure." The study aimed to assess the impact of various factors, including specialization in specific industries, on the quality of auditing. It was found that auditors specializing in particular industries tend to perform better due to their desire to maintain a good reputation in the industry and acquire adequate knowledge about its issues.

Vanstraelen (2000) from the University of Maastricht conducted a study titled "The Impact of Renewable Long-Term Audit Mandates on Audit Quality." This study aimed to determine the impact of factors such as customer retention period, firm size, audit fees, and financial cost on audit quality. It found that longer customer retention periods were associated with a decreased probability of issuing a clean report, thus negatively affecting audit quality.

Bedard (2010) argues that normative recommendations serve the purpose of enhancing market participants' ability to assess audit quality, allowing for differentiation between audit companies based on publicly available data and providing incentives for companies to improve audit quality.

Krauss (2011) discusses the increased process of harmonizing accounting and auditing practices worldwide, accompanying the globalization of the business sector. However, there is limited exploration of both harmonization and differences in audit practices.

Xhensila (2016) highlights the importance of audit quality in recent decades but notes a lack of concrete evidence regarding organizational review quality. Different definitions of audit quality are proposed, focusing on factors such as the adequacy of the auditor's report and the ability to detect errors, with DeAngelo (1981) suggesting it as a binary likelihood of finding significant deviations. Factors influencing audit quality include the auditor's ability to identify distortions, the methods used, and the sample size, all dependent on the auditor's expertise and familiarity with required technologies.

Bedard (2010) asserts that maintaining high audit quality is essential in line with audit standards, aiming to provide reasonable assurance regarding financial statements to prevent material misstatements due to errors or fraud. However, Elshafie (2014) points out that despite the significance of audit quality, there lacks an explicit definition in technical standards, and consensus among researchers regarding its precise meaning remains elusive.

Dechow and Skinner (2000) categorize earnings management into three types: Fraudulent Accounting, Accruals Management, and Cash Flow Earnings Management (CFEM), often referred to as Real Earnings Management (REM). Fraudulent Accounting involves violating GAAP, while Accruals Management entails making GAAP decisions to obscure true financial performance. Real Earnings Management occurs when managers alter fundamental company operations to boost current period earnings. Dechow and Skinner further suggest that accruals can be manipulated to affect profit recognition, either increasing or decreasing income.

Numerous prior accounting studies by Healy (1985), Jones (1991), Sweeney (1994), and Defond and Jiambalvo (1994) investigate various motivations for income management, emphasizing incentives such as meeting debt contracts or reducing political costs. In periods of CEO transitions, DeAngelo (1994) notes the potential for a "big bath" approach, where a new CEO may take significant write-offs to enhance future earnings prospects, shifting blame for low profits onto the previous CEO. This tactic, known as Big Bath Accounting, involves a one-time charge against income to decrease assets, resulting in lower expenses in subsequent periods (Nikolai and Jefferson, 2010).

Several notable business failures, such as Enron and Worldcom in the US, and Cadbury Nigeria PLC and African Petroleum AP in Nigeria, were marred by earnings management and accounting scandals. These incidents significantly tarnished the reputation of the companies involved and eroded investor confidence in the capital market. Recent research by Bradshaw and Sloan (2002) has delved into the disparity between cash flow and GAAP earnings, highlighting an increasing gap between the two measures. They demonstrate that investors tend to place greater emphasis on cash flow numbers. Lougee and Marquardt (2002) further support the notion of opportunistic

management by examining cash flow data, revealing that firms reporting cash flow earnings often exhibit higher incidences of losses, greater market-to-book and debt-to-equity ratios, increased sales growth, a higher proportion of special items, and greater earnings variability.

Sailendra (2019) defines audit quality as the likelihood of an auditor uncovering inconsistencies in a client's accounting system, crucial for ensuring the accuracy of financial statements and affirming that the audit was conducted professionally and independently. However, despite extensive theoretical discussions on audit quality, its evaluation remains challenging. In this regard, Caloian (2007) suggests that quality control of audit services can occur at two levels: through professional institutes and within financial audit companies themselves.

Donnelly (2003) conducted a study titled "Auditor Acceptance of Dysfunctional Behavior: An Explanatory Model Using Auditors' Personal Characteristics," which revealed that the direction of the review and the turnover rate of auditors are two factors that diminish the quality of the audit. The untimely interruption of the audit process adversely affects the profession. The study inferred that the poor performance of auditors correlates with the acceptance of deteriorating practices, leading to lower audit quality.

Another study by Krishnan & Schauer (2000) titled "The Differentiation of Quality Among Auditors: Evidence from the Not-for-Profit Sector" aimed to examine the relationship between audit quality and the size of audit firms servicing non-profit entities. The study hypothesized a positive correlation between the size of the audit firm and the quality of the audit.

Alam (2000) conducted an investigation titled "View of the Peer Review Program of the Accounting Profession: Recommendations and Management," aimed at evaluating the effectiveness of the peer review program in enhancing audit quality. The study found that the peer review program contributed to the improvement of the auditing profession and the professional development of auditors.

Colbert & Murray (1998) conducted a study titled "The Association Between Auditor Quality and Auditor Size: An Analysis of Small CPA Firms," which demonstrated a positive relationship between the quality of audits and the size of audit firms.

AlqamandAlrajabi (1997) led an examination titled "Factors Leading to Changes in External Auditors in Jordanian Public Organizations: Field Study," which aimed to determine whether there were differing perspectives among auditors, investors, and CFOs regarding external auditors. The study provided several recommendations to enhance the auditing profession and elevate the quality of its work to meet necessary standards.

The authors Dao (2019) acknowledge that auditor liabilities can enhance audit transparency, leading to improved audit quality. However, they note that earlier and more accurate evidence yields mixed findings regarding the impact of disclosing engagement partner identification. They suggest that introducing specific requirements for audit partners may enhance audit quality.

Additionally, Louis and Robinson (2005) argue that audit firm size alone should not be the sole determinant of audit quality. They emphasize the importance of maintaining professional standards and qualifications across the auditing profession. While larger firms may have more resources, smaller firms can still provide high-quality audit services. Thus, distinguishing between large and small audit firms solely based on size may be unfair.

In a study by Najjar (2011), the occurrence of discretionary accruals in audited industrial companies in Kenya was analyzed. The study aimed to investigate the influence of client industry specialization on external audit quality. Using data from annual reports and financial statements of 65 manufacturing companies from 2005 to 2009, multiple linear regression analysis was conducted using SPSS

Najjar (2011) identified a strong correlation between the size of discretionary accruals and client industry audit specialization, which is one of the characteristics of audit firms. Their study also revealed that when an audit firm serves a large number of clients in the same industry, the expertise of auditors increases, allowing them to develop a comprehensive understanding of the business nature and risks specific to that industry.

Schauer (2008) provided additional evidence on the impact of audit firm-specific traits on external audit quality for Indian private family firms over the period from 1999 to 2006. The study contributed to existing literature by examining the relationship between client industry audit specialization, measured by market share, and audit quality using the Jones (1991) abnormal accruals model, which is widely recognized as an effective measure of discretionary accruals. The overall findings suggested that audit firms specializing in specific industries possess greater industry expertise, enabling them to share best practices and learn from serving clients in the same industry. Consequently, this enhances external auditors' ability to identify errors in staff working papers during the audit review process, leading to a reduction in the occurrence of earnings management associated with higher audit quality. Thus, audit firms are better equipped to meet their clients' needs for high-quality audits.

2.3 Summary and knowledge gap

There is limited specific literature focusing exclusively on the determinants of external audit quality in Ethiopia within recent publications. However, broader studies on audit quality in emerging economies often highlight several common themes. These include factors such as regulatory frameworks, professional standards adherence, auditor independence, audit firm size, and the effectiveness of audit committees. These factors are critical as they impact the reliability and credibility of financial reporting in emerging markets like Ethiopia.

The knowledge gap lies in the scarcity of empirical studies that directly examine the unique institutional, regulatory, and cultural factors influencing audit quality specifically within the Ethiopian context. Understanding these factors is crucial for policymakers, regulators, and audit practitioners to enhance audit effectiveness and foster confidence in financial reporting. Future research could focus on exploring how local regulatory environments, corporate governance practices, and socio-economic factors influence audit quality outcomes in Ethiopia. Additionally, investigating the perceptions and experiences of stakeholders such as auditors, audit clients, and investors would provide valuable insights into improving audit quality practices tailored to the Ethiopian business environment.

2.4 Conceptual Framework of the Study

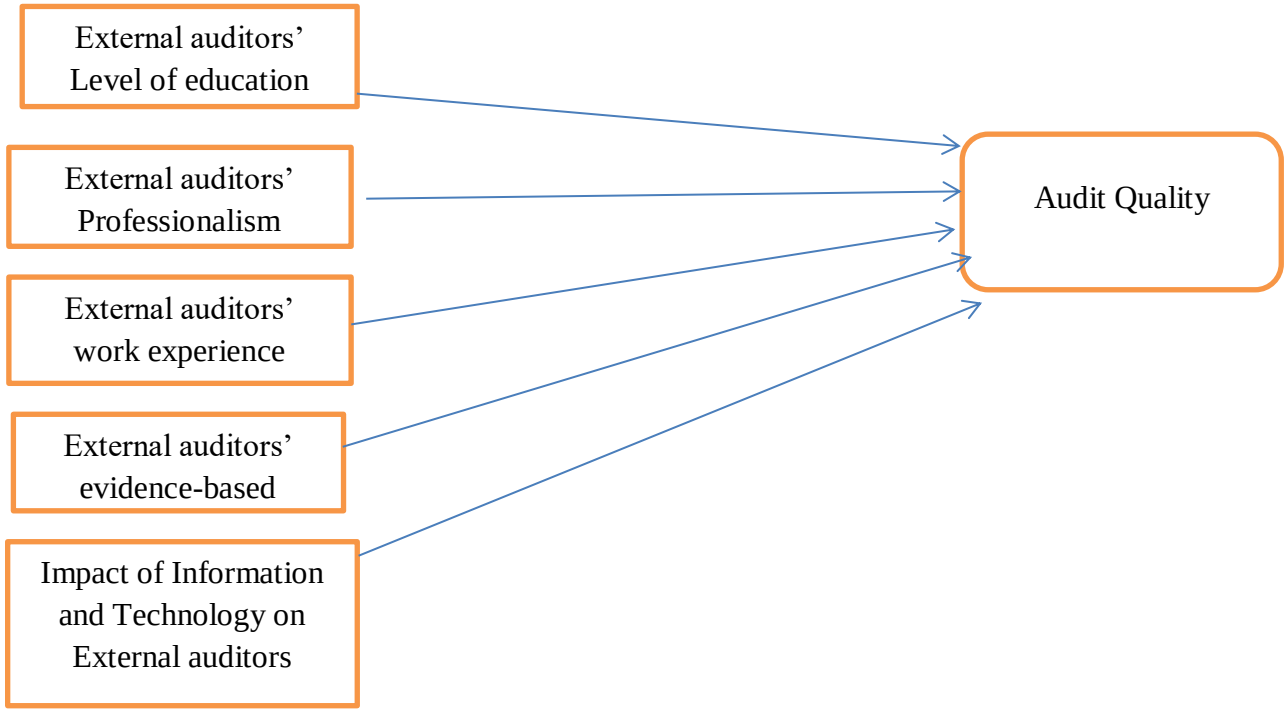


Figure 1 3.1 Conceptual Framework of the Study

CHAPTER THREE

RESEARCH METHODS AND DESIGN

Introduction

This chapter includes key aspects such as the research approach, research design, types and sources of data, determination of target population and sample size, sampling techniques, methods of data collection, measurement of constructs including approaches to data analysis, and ethical considerations.

3.1. Research Design

The study utilized both descriptive and explanatory research designs. Furthermore, the research adopted a quantitative research approach, employing a structured questionnaire for data collection and utilizing regression analysis as the primary tool for data analysis.

3.2. Research Approach

A research approach is a plan of action that gives direction to conduct research systematically and efficiently. There are three main research approaches as (Creswell 2009): i) quantitative (structured) approach, ii) qualitative (unstructured) approach, and iii) mixed methods research. All researches must involve an explicit, disciplined, and systematic approach to find out most appropriate results. According to Aliaga, and Gunderson (2002) a quantitative research method deals with quantifying and analysis variables in order to get results. It involves the utilization and analysis of numerical data using specific statistical techniques to answer questions like who, how much, what, where, when, how many, and how. Thus, this research employs a quantitative research approach.

3.3. Data Source and Type

This study utilized Primary data it was acquired through a structured close-ended/self-administered questionnaire. On the other hand, secondary information was drawn from previous studies, journals, and articles specifically conducted on the determinants of external audit quality in Ethiopia, , other related studies were employed as sources of data for the analysis and discussion of the results.

3.4. Data collection Techniques

Primary data in this study is gathered through a meticulously crafted close-ended questionnaire structured on an ordinal scale of measurement. Specifically tailored to the context of the industry, the questionnaire utilized a 5-point Likert scale, where responses were marked as 1= strongly disagree, 2= disagree, 3= somehow agree, 4= agree, and 5= strongly agree. The scoring system was designed such that a higher score indicates a heightened perception of the viability of external audit quality determinants in Ethiopia, while a lower score signifies a lower perceived adequacy in the scale.

3.5. Sample Design and Sample Determination

The targeted population for this study comprises private Certified Audit Firms located in Addis Ababa, forming the study's pool. All Certified Audit Firms registered with the Accounting and Auditing Board of Ethiopia (AABE,2023) in the Addis Ababa district that provide external auditing services were included. Currently, there are a total of 217 private Certified Audit Firms in Addis Ababa. However, to ensure manageable research, 30% of these firms were selected as the focus of this study. This percentage was chosen based on the recommendation by Mugenda and Mugenda (2003), asserting that a sample size ranging from 10% to 30% of the target population is sufficient for social studies. Consequently, a sample of sixty five (65) private Certified Audit Firms is selected through a simple random lottery method. This approach is adopted to provide an equal chance for all private Certified Audit Firms in Addis Ababa to be included in the study.

The chosen sample was taken for representative of the employees within the selected Certified Audit Firms junior auditors, senior auditors, and directors. This selection is intended to be sufficiently large to ensure precision, confidence, and the ability to generalize the research findings to the broader population.the study was used the following sample size determination formula developed by Yemane (1967). using a simple formula to determine the minimum sample size required at the 95% confidence level, e = 5 percentage point error.

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

Where: n = sample size

N = population size

e = Precision level or sampling error =0.05

$$n = \frac{217}{1+(0.05)^2*217}$$

$$= \underline{\underline{140.68}}$$

Therefore, the representative sample size for this study is 140 selected Certified Audit Firms junior auditors, senior auditors, and directors.

3.6. Data Analysis Techniques

The collected data underwent transformation and interpretation to derive meaningful statements and information Statistical Package for Social Science (SPSS) software version 20 software was utilized as the analytical tool for this study. The statistical methods employed included descriptive analysis (mean and standard deviation), correlation analysis, and multiple regression analysis to present and interpret the data effectively.

A. **Descriptive Analysis:** The results of descriptive statistics were presented through frequency distributions and percentages, providing a concise overview of the data. This was accomplished by summarizing statistics, including the computation of means and standard deviation values for each variable in this study.

B. **Pearson Correlation Analysis:** This analysis is employed when dealing with two quantitative variables. The potential research hypotheses include the presence of a positive linear relationship, a negative linear relationship, or no linear relationship between the variables. In this study, Pearson's correlation coefficient was utilized to ascertain the relationships between the determinant of external audit quality, which comprises dependent variables and factors such as External Auditors' Level of Education, External Auditors' Professionalism, External Auditors' Work Experience, External Auditors' Evidence-Based Approach, and Impact of Information and Technology on External Auditors'

C. **Multiple Regression Analysis:** Multiple regression analysis was employed to explore the audit quality, encompassing External Auditors' Level of Education, External Auditors' Professionalism, External Auditors' Work Experience, External Auditors' Evidence-Based Approach, and Impact of Information and Technology on External Auditors'. This statistical method allows for the examination of the combined influence of these factors on audit quality.

Model Specification

$Y=B\ 0 +B\ 1\ X1+B\ 2\ X2+B\ 3X3 + B\ 4X4+BX5+e$

Where

Y= Audit Quality

B 0 , B1 , B2 , B3, and B 3 are parameters

X1= External auditors' Level of education

X2= External auditors' Professionalism

X3= External auditors' Work experience

X4= External auditors' evidence-based approach,

X5= External auditors' Impact of Information and Technology

e= error term

3.9 Validity and Reliability

The validity and reliability of the research were taken into consideration. Questionnaires was developed based on the study's conceptual framework designed to address intended objectives. The questionnaires that developed also customized from standard questionnaires. Further a reliability test of Cronbach's Alpha was made for Linkert scale-type. Cronbach's alpha is a measure used to assess the reliability, or internal consistency, of a set of scale or test items. According to Sekeran, 2003 reliability measures stability and consistency across time and the various items in the instrument. It indicates the extent to which the instrument is error-free or bias-free. The closer the Cronbach's alpha to 1, the higher the instrument's reliability. Thus, a scale is said to have a good reliability.

3.8 Ethical considerations

The researcher has followed ethically acceptable processes throughout the entire research processes. The respondents were informed about the purpose of the study before the information was collected, thuss conformed to the principle of voluntary and informed consent. In this regard, the name of the respondents and individual companies' supportive data were disclosed and information wasn't available to any third parties who weren't directly involved in the study. The researcher further considered that all the sources used in this paper had been properly recognized and acknowledged.

CHAPTER FOUR

DATA PRESENTATION AND DATA ANALYSIS

Introduction

In line with the research questions and objectives, this chapter presents the study's findings based on the research design used. It includes an explanation of the response rate from participants and details the instrument employed to assess the reliability of the questions. Additionally, the chapter provides descriptive statistics for all variables in the study and discusses the results of the correlation and regression analysis, highlighting the relationships between independent and dependent variables as indicated by the regression model parameters. These analyses were conducted using SPSS. Table 4.1 shows that out of 140 distributed questionnaires, 128 (91.42 %) were properly filled out and returned, and this data was used for the analysis.

Table 4.1Responce rate

Questionnaires	Private Certified Audit Firms	
	Respondents	Percentage
Number of Distributed Questionnaires	140	100%
Number of Returned Questionnaires	128	91.42%

Source: SPSS Result, 2024

4.1 Reliability Test Result

Reliability refers to the degree to which measures are free from random error, and therefore, yield consistent results Zikmund (1997). The scales of the five variables were checked for internal consistency or reliability by applying reverse coding as appropriate and using Cronbach's Alpha in SPSS version. The results of the tests for each scale are shown in table 4.2 in the next page. The instrument was pilot tested on 128 employees of Private Certified Audit Firms with in the

intended sample. The responses of respondents were scored and the reliability of the tool was determined using Cronbach's Alpha. The questionnaire has a total of 48 questions as shown in the below table. The result indicates that the value of Cronbach's alpha equals to 0.8 proving that the scale is indeed reliable Hair (1992).

Table 4.2 Reliability statistics

Cronbach's Alpha	**Cronbach's Alpha Based on Standardized Items**	**N of Items**
.889	.905	48

Source: Research data (2024)

4.2 Descriptive Statistics

Descriptive statistics summarize data by using measures of central tendency (mean, median, mode), variability (range, variance, standard deviation), and distribution shape (skewness, kurtosis). These statistics simplify data interpretation by highlighting key patterns and trends. They are foundational for any quantitative data analysis.

4.2.1 Demographic Characteristics

The demographic analysis of the respondents was conducted to provide detailed characteristics of the participants. Specifically, this part of the study examines the gender distribution (female and male respondents), age, experience, educational level, work experience, and current positions within Private Certified Audit Firms. This analysis aims to offer a comprehensive understanding of the respondents' backgrounds and professional profiles.

Table 4.3 Demographic Characteristics

		Frequency	**Percent**
Gender	Male	84	65.6
	Female	44	34.4
	Total	**128**	**100.0**
Age	20- 24	30	23.4
	25-29	48	37.5
	30-34	28	21.9
	35- 39	7	5.5
	40-44	6	4.7
	≥ 45	9	7
	Total	**128**	**100**
Working Experience	1-5	24	18.7
	6-10	55	43.0
	11-15	24	18.8
	≥16	25	19.5
	Total	**128**	**100**
	Bachelor Degree	43	33.6
	Masters	17	13.3
	ACCA	68	53.1
	Total	**128**	**100**
Current Position	Junior Auditors	23	18.0
	Senior Auditors	52	40.6
	Partner's	37	28.9
	Directors	16	12.5
	Total	**128**	**100**

Source: Research data (2024)

As indicated in Table 4.3, 84 of the respondents were male which represent 65.6% of the total respondents, while 44 were females which accounts for 34.4% of the total respondents. The result revealed that males outweigh females in number in Private Certified Audit Firms. Considering age of the respondents, higher number of respondents was in the age between 25-29 years, which represent 37.5%, followed by age of 20-24 and above years, which represent 23.4%. Respondents between the ages of 30-34 represented 21.9 % of the respondents, Respondents between the ages of 35-39 represented 5.5 % , Respondents between the ages of 40-44 represented 4.7 % of the respondents while the smallest group 7 % was those ages greater than 45 years respectively. Based on that, it can be concluded the survey may cover adult's employees. The result has also revealed that majority of the respondents (43.0%) have 6-10 years of work experience in Private Certified Audit Firms, and only 18.8 % of the respondents have 11- 15 years of work experience, 18.7% of respondents represented have more than 16 years of work experience. Finally, 19.5 % of respondents represented years of work experience. This shows that most of Private Certified Audit Firmsemployees have average years of work experience in the Private Certified Audit Firms and thus will have reliable information about the audit quality status in the Private Certified Audit Firms, giving more assurance to the quality of data collected through the questionnaires. In terms of educational level 68% of the respondents have ACCA , 53.1% respondents represented bachelor degree, 33.6% of respondents represented ,13.3% respondents have master's degree holders. This implies that majority of employees are skilled professionals and experts, giving an additional confidence to consider the source data as trustworthy. Regarding to the current position 52(40.6%) of respondents represented Senior Auditors professionals, 37(28.9%) of respondents represented partners/principal professionals, 23(18%) of respondents represented for junior auditor professionals, and 16(12.5%) of respondents are directors.

4.2.2 Descriptive Statistics on Determinants of external Audit Quality

Descriptive analysis is used to obtain existing facts regarding the employees' level of agreement on the determinants of Audit quality in Private Certified Audit Firms using five indicators of external audit quality namely, external auditors' professionalism, external auditors education

level, external auditors work experience, external auditors evidence based approach, and external auditors independence. This section presents the respondents' perception on the independent and dependent variable. The respondents were asked to indicate the extent to which they agreed and disagreed to statements relating to the variables under study on a five-point Likert scale (1=Strongly Disagree to 5= strongly agree).

It is taken to identify the differences among the variables and the square root of standard deviation shows the variance. The standard deviation is therefore a measure of how well the mean represents the data. Whereas, small standard deviation means (relative to the value of the mean itself) indicates that the data points are close to the mean.

In this case, larger standard deviation (relative to the mean) indicates that the data points are distant from the mean (i.e. the mean is not an accurate representative of the data) Andy (2010). Similarly, high standard deviation means that the data are wide spread, which means that employee give variety of opinion and the low deviation means that employee express close opinion.

Table 4.4 Range for interpreting quantitative data

Range	Interpretation
1.49 or less	Strongly disagree
1.50 -2.49	Disagree
2.50-3.49	Neutral
3.50-4.49	Agree
4.5 or greater	Strongly agree

Source: Upgade and Shende (2012)

4.3 Inferential Analysis

4.3.1Correlation Analysis of the Study Variables

Correlation analysis is primarily concerned with determining whether a significant relationship exists between two variables (Field, 2005). It describes the strength and direction of the linear relationship between these variables. For this study, the Pearson correlation (commonly known as the Pearson Correlation Coefficient) is used to investigate the relationship between determinants of external audit quality and audit quality. The value of the Pearson product-moment correlation coefficient (r) typically ranges from -1 to +1.

The sign of r indicates whether the correlation is positive (as one variable increases, the other also increases) or negative (as one variable increases, the other decreases). According to Field (2005), a coefficient (r) of +1 indicates a perfect positive relationship, while -1 indicates a perfect negative relationship. Breaking down the strength of the relationship, values of r from ±0.1 to ±0.29 represent a weak relationship, values from ±0.3 to ±0.49 represent a medium relationship, and values from ±0.5 to ±1.0 indicate a strong relationship. The results of the correlation analysis between the determinants of external audit quality and external audit quality are shown in the following tables.

Correlations							
		1	**2**	**3**	**4**	**5**	**6**
Education level	Pearson Correlation	1					
	Sig. (2-tailed)						
Professionalism	Pearson Correlation	.2503**	1				
	Sig. (2-tailed)	0.001					
Audit Work Experience	Pearson Correlation	0.339	.479**	1			
	Sig. (2 tailed)	0.000	0.000				
Evidence	Pearson Correlation	.258**	.394**	.657**	1		
	Sig. (2-tailed)	0.003	0	0			
Information and Technology	Pearson Correlation	.400**	.406**	.366**	.496**	1	
	Sig. (2-tailed)	0	0	0.002	0.001		
Audit Quality	Pearson Correlation	0.412**	0.472**	0.542**	0.424**	0.789**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	
**. Correlation is significant at the 0.01 level (2-tailed)							

Table 4.5: Correlation Analysis

Source: Research data (2024)

Concerning the relationship between the Auditors' Education Level and Audit quality , Pearson correlation analysis reported that it has 0.412** at a significance level of 0.1. This stipulates Auditors' Education level has a medium and positive relationship with Audit quality. Hence, it is possible to conclude that Auditors' Impact of Education Level have a linear relationship with I Audit quality, (this implying that the more staff has good Education Level, it will have more effect on Audit quality).

Concerning the relationship between the Auditors' Professionalism and Audit quality, Pearson correlation analysis reported that it has .472** at a significance level of 0.1. This stipulates Auditors' Professionalism has a medium and positive relationship with external audit quality. Hence, it is possible to conclude that Auditors' Professionalism have a linear relationship with audit quality (this implying that the more staff have good knowledge on the Auditors' Professionalism, it will have more effect on external audit quality).

Concerning the relationship between the Auditors' Work Experience and Audit quality, Pearson correlation analysis reported that it has .542** at a significance level of 0.1. This stipulates Auditors' Work Experience has a strong and positive relationship with audit quality. Hence, it is possible to conclude that Auditors' Work Experience have a linear relationship with audit quality (this implying that the more staff have good knowledge on the Auditors' Work Experience, it will have more effect on audit quality).

Concerning the relationship between the Auditors' Evidence-Based Approach and Audit quality, Pearson correlation analysis reported that it has .424** at a significance level of 0.1. This stipulates Auditors' Evidence-Based Approach has a medium and positive relationship with audit quality. Hence, it is possible to conclude that Auditors' Evidence-Based Approach have a linear relationship with audit quality (this implying that the more staff have good knowledge on the Auditors' Evidence-Based Approach, it will have more effect on audit quality).

Concerning the relationship between the Auditors' Impact of Information and Technology and Audit quality, Pearson correlation analysis reported that it has .789** at a significance level of 0.1. This stipulates Auditors' Technological Impact has a strong and positive relationship with audit

quality. Hence, it is possible to conclude that Auditors' Impact of Information and Technology have a linear relationship with audit quality (this implying that the more staff have good Auditors' Information and Technology, it will have more effect on audit quality).

4.3.2 Parametric Statistical Assumptions

The reason why must have the test is because if the data does not pass classic assumption test, then the result after the data got processed might be misleading or biased Lind, (2012). The examination is called Fundamental Assumption Test that consists of mainly four tests, and those tests are normality, multicollinearity, linearity homoscedasticity tests Lind, (2012).

4.3.2.1 Multi Collinearity

Multi collinearity refers to the situation in which the independent variables are highly correlated in a way that has undesirable implication on the outcome of regression analysis. According to Robert (2006), when the predictor variables are highly correlated, they share essentially the same information and together, they may explain a great deal of the dependent variable, but may not individually contribute significantly to the model. Thus, the impact of multi collinearity is to reduce any individual independent variable's predictive Power by the extent to which it is associated with the other independent variables Beyan, (2014). Accordingly, Tolerance and Variance Inflation Factor (VIF) values were calculated to check multicollinearity and the result is presented on table 4.6 below. The Tolerance value is an indication of the percentage of variance in the predictor that cannot be accounted for by the other predictors implying the fact that very small values indicate overlap or sharing of predictive power Robert, (2006).

Table 4.6 Multicollinearity Test

Variables	Tolerance	VIF
Auditors' Level of Education	.412	1.204
Auditors' Professionalism	.472	1.281
Auditors' Work Experience	.542	1.415
Auditors' Evidence-Based Approach	.424	1.219
Auditors' Information and Technology	.789	2.649

Source: Research data (2024)

Multi Collinearity is checked using correlations between the variables in the model. Independent variables show at least some relationship with dependent variable (above 0.3 preferably) Tabachnick and Fidell (2001). In this case all of the scales (Auditors' level of education, auditors' professionalism, auditors' work experience, Auditors' evidence-based approach, and auditors' information and technology) correlate substantially with audit quality respectively

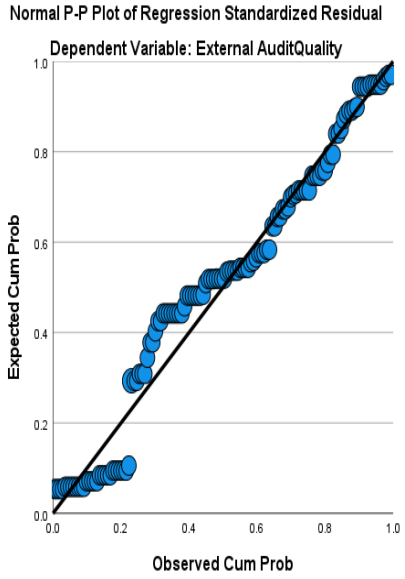
4.3.2.2 Assessment of Autocorrelation (Durbin-Watson)

It is a test for correlation error or a test for correlation between variables residuals. In short, this option is important for testing whether the assumption of independent error is tenable/reasonable. The test statistics can vary between 0 and 4 with a value of 2 meaning that the residuals are uncorrelated. A value greater than 2 indicated a negative correlation between adjacent residuals and a value below 2 indicates positive correlation. The size of Durbin-Watson statistics depends on the number of predictors in the model and the number of observations. Field (2009) suggests that the value less than 1 or greater than 3 are definitely a cause for concern; however, values closer to 2 may still be problematic depending on your sample and model. In addition, Garson (2012) Durbin Watson should be between 1.5 and 2.5 for independent observations. The value closer to 2 are acceptable Field (2009). Therefore, the Durbin-Watson result has scored 1.569 and it is possible to say acceptable result or fulfill the testing assumption requirement.

4.3.2.3 Linearity Test

Audit quality is assumed to be linearly related with factors of external audit quality dimensions/elements; meaning the dependent variable audit quality is assumed to be impacted with changes in determinants of audit quality elements (the independent variables such as Auditors' level of education, auditors' professionalism, auditors' work experience, Auditors' evidence-based approach, and auditors' information and technology).the relationship between the two variables should be linear. This means that at a scatter plot, scores should be a straight line (roughly), not a curve Pallant,(2005). The scatter plots of this study show that there is almost linear relationship between the variables. The plots do not show any evidence of non-linearity; therefore, the assumption of linearity is satisfied.

Figure 2 4.1 Linearity test



Source: Research data (2024)

4.3.2.4 Normality Test

The study used method of assessing normality; graphically (Normal Probability Plot) and numerically (Skewness and Kurtosis). In the Normal Probability Plot, it is hoped that points will lie in a reasonably straight diagonal line from bottom left to top right. This would suggest no major deviations from normality. The scores are normally distributed. Numerically, the evaluation of normality in the data analysis began with exploring the skewness and kurtosis values of the determinants of audit quality and audit quality. Skewness and kurtosis values greater than 1 and less than -1 are considered being abnormally distributed Gamst, Meyers, & Guarino, (2008). Table 4.7 below summarizes the Skewness and Kurtosis values of the constructs. The Skewness and Kurtosis values for the determinants of audit quality elements, namely auditors' level of education, auditors' professionalism, auditors' work experience, auditors' evidence-based approach, and auditors' impact of information and technology were all below 1 and greater than -1 indicating that the data is normally distributed for these elements. The audit quality also showed

Skewness and Kurtosis value of less than 1, and is therefore normally distributed.

Table 4.7 Table Summary of Skewness and Kurtosis Statistics

		Auditors' Education level	Auditors' Professionalism	Auditors' Experience	Auditors' Evidence Based approach	Auditors' Information and Technology
N	Valid	128	128	128	128	128
	Missing	0	0	0	0	0
Skewness		-0.592	0.146	-0.101	-0.449	0.597
Std. Error of Skewness		0.214	0.214	0.214	0.214	0.214
Kurtosis		-0.905	-1.342	-0.047	0.225	-0.471
Std. Error of Kurtosis		0.425	0.425	0.425	0.425	0.425

Source: Research data (2024)

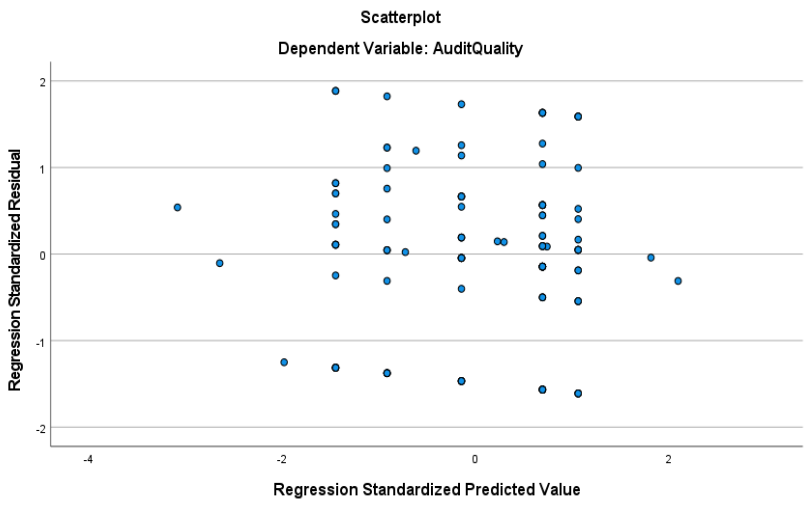


Figure 2 3.4.2 Normality Test

Source: Research data (2024)

4.3.3 Multiple Regression Analysis

Multiple regression analysis is employed to examine the determinants of audit quality (Auditors' professionalism, auditors' level of education, auditors' work experience, Auditors' evidence-based approach, and auditors' independence) on audit quality. Multiple regression analysis is chosen because it helps to predict the linear relationship of a dependent variable. Here, the dependent variable is regressed and the independent variables are regressed or, which will show the influence on the relationship of these variables by one another. Before explaining the table, the effects of values of the coefficient, R- square are discussed briefly.

Coefficient value: It shows the negative or positive effect of the variables. If the coefficient value is positive, it shows that independent variable is affecting the dependent variable in a positive way. If the sign is negative, it shows that the effect is negative.

R-square: R-square is the coefficient of determination; it explains how much variation in the dependent variable is taking place due to the factors that determinants of external audit.

Constant: Constant is basically the intercept. Therefore, the value of constant cannot be ignored but it does not affect the result in a direct or indirect way. It just shows that even if the independent variable has zero value, there will be still some value of the dependent variable.

Probability: Probability and t-statistics basically indicate the same results. Either both of them or just one of them can be taken because in any way the results will show similar indication overall.

Table 4.8 Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin - Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.71660[a]	0.5636	0.5135	0.3441	0.56367756	43.145	5	122	0.000	1.569
a. Predictors: (Constant), Auditors' Education level ,Auditors' Professionalism , Auditors' experience, Auditors' Evidence and Auditors' information and Technology										
b. Dependent Variable : Audit quality										

Source: Research data (2024)

This table is showing the variation of variables used in the analysis. R-square which is the coefficient of determinant is telling that how much variation is taking place in external audit quality (dependent variable) due to Auditors' level of education ,auditors' professionalism, auditors' work experience, Auditors' evidence-based approach, and auditors' information and technology (independent variables). When the table is analyzed, it is seen that the value of R-square shows 56.3% change taking place in external audit quality due to the Auditors' level of education ,auditors' professionalism, auditors' work experience, Auditors' evidence-based approach, and auditors' information and technology. By referring to this analysis, the regression equation for the external audit quality of the Private Certified Audit Firms algebraically formulated as:

Statistical equation as per Model :**(Y= β0+ β1X1+ β2X2+β3X3+ β4X4+ β5X5+E….)**

(Y=0.716+.281X1+.159X2+.0124X3 -.017X4+.459X5+.05….)

Table 4.9 ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.809	5	6.762	43.145	.000[b]
	Residual	19.120	122	0.157		
	Total	52.930	127			
a. Predictors: (Constant), Auditors' Education level ,Auditors' Professionalism , Auditors' experience, Auditors 'evidence and Auditors' information and Technology						
b. Dependent Variable : Audit quality						

Source: Research data (2024)

According to table 4.9 the analysis of variance (ANOVA) for these data, the F-statistic of the independent variables is 43.14 respectively, which is more than 4 this indicates that the model is overall good fit and significant at $p< 0.01$. This result indicates that there is less than a 0.1% chance that an F-ratio this large would happen, if the directional hypothesis proposed about F-ratio were true. Therefore, it can be concluded that the regression model overall predicts external audit quality significantly well.

Table 4.10:Regression Coefficients

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.716	.345		2.074	0.023		
	Auditors' Level of Education	0.173	0.055	0.281	3.146	0.042	0.412	1.204
	Auditors' Professionalism	0.169	0.079	0.159	2.141	0.032	0.472	1.281
	Auditors' Work Experience	0.134	0.050	0.124	2.691	0.584	0.542	1.415
	Auditors' Evidence-Based Approach	-0.190	0.499	-0.017	-0.380	0.074	0.424	1.219
	Auditors' Information and Technology	0.510	0.276	0.459	1.847	0.023	0.789	2.649
a. Dependent Variable: Audit Quality								

Source: Research data (2024)

In this study, among the five independent variables three independent variables show significant values whereas, the rest two independent variables show insignificance values of > 0.05, indicating that the three independent variables making a significant unique contribution to external audit quality. The larger value of Beta coefficient that an independent variable has brings the more supports to the independent variable as the more important determinant in predicting the dependent variable. Hence, for the three independent variables making positive and significant contributions, Auditors' level of education, auditors' professionalism, and auditors' Information and technology the beta values were 0.281, 0.159, and 0.459 respectively (All the measures are statistically significant).

This indicated that the biggest unique contribution to external audit quality has made by auditors' Information and technology followed by auditors' level of education, and Auditors' professionalism. Whereas, the auditors' work experience and Auditors' evidence-based approach have a positive and negative with insignificant values has scored (0.124, $p>0.05$, and -0.017, $p>0.05$) correspondingly.

Interpretation in Terms of Research Hypotheses

The student researcher has tested research hypotheses as

H1: There is a significant and positive effect of auditors' level of education on external Audit Quality

As it is shown on Table 4.10 above, the β coefficient value was calculated as 0.281, which indicates that keeping other factors constant, a unit of change in auditors' level of education causes of 28.1 % improvement on external audit quality. Besides, as displayed on same table, the t value was 3.146 at p value 0.042. As discussed above, if the t value greater than 2, and $p<0.05$, it is significant to the prediction of the dependent variable. Therefore, from the findings, it can be concluded that the influence of auditors' level of education on external audit quality is statistically significant, in case of Private Certified Audit Firms, and this result leads to accept directional hypothesis.

The result of auditors' level of education impact on external Audit Qualityin this study consistency with similar study made by ProvitaWijayanti,(2019) Rustam Hanafi Economic Faculty of Un issula ,on ''determinant of quality audit for the corruption's prevention on the government audit institute in central java, Indonesia''.

H1: There is a significant and positive effect of Auditors' professionalism on external Audit Quality

As it is shown on Table 4.10 above, the β coefficient value was calculated as 0.159, which indicates that keeping other factors constant, a unit of change in Auditors' professionalism causes of 15.9% improvement on external audit quality. Besides, as displayed on same table, the t value was 2.141 at p value 0.032. As discussed above, if the t value greater than 2, and $p<0.05$, it is

significant to the prediction of the dependent variable. Therefore, from the findings, it can be concluded that the influence of Auditors' professionalism on external audit quality is statistically significant, in case of Private Certified Audit Firms, and this result leads to accept directional hypothesis. The result of Auditors' professionalism impact on external Audit Qualityin this study consistency with similar study made by ProvitaWijayanti,(2019) Rustam Hanafi Economic Faculty of Unissula,on ''determinant of quality audit for the corruption's prevention on the government audit institute in central java, Indonesia''

H1: There is a significant and positive effect of auditors' work experience on external Audit Quality

As it is shown on Table 4.10 above, the β coefficient value was calculated as 0.124, which indicates that keeping other factors constant, a unit of change in auditors' work experience causes of 12.4 % worsen or deteriorate on external audit quality. Besides, as displayed on same table, the t value was 2.691 at p value 0.584. As discussed above, if the t value less than 2, and $p>0.05$, it is insignificant to the prediction of the dependent variable. Therefore, from the findings, it can be concluded that the influence of auditors' work experience on external audit quality is statistically insignificant, in case of Private Certified Audit Firms, and this result leads to reject the directional hypothesis. The result of auditors' work experience impact on external Audit Quality on this study contradict with similar study made titled ''determinants of external auditors' choice in Nigerian quoted manufacturing companies'' by Johnson Kolawole Olowookere (2016).

H1: There is a significant and positive effect of Auditors' evidence-based approach on external Audit Quality

As it is shown on Table 4.10 above, the β coefficient value was calculated as -0.017, which indicates that keeping other factors constant, a unit of change in Auditors' evidence-based approach causes of -1.7 % worsen or deteriorate on external audit quality. Besides, as displayed on same table, the t value was -.380 at p value .074. As discussed above, if the t value greater than 2, and $p>0.05$, it is insignificant to the prediction of the dependent variable. Therefore, from the findings, it can be concluded that the influence of Auditors' evidence-based approach on external audit quality is statistically insignificant(this infers to the claim that a result from data generated by testing is not likely to occur, in case of Private Certified Audit Firms), and this result leads to reject the directional hypothesis.

The result of Auditors' evidence-based approachimpact on external Audit Quality on this study contradict with similar study made titled ''The Determinants Factors on Audit Quality: A Theoretical Approach'' byAndreea Claudia Crucean Camelia Daniela Hategan West University of Timisoara, Romania (2019)

H1: There is a significant and positive effect of auditors' Information and Technology on external Audit Quality.

As it is shown on Table 4.10 above, the β coefficient value was calculated as 0.459, which indicates that keeping other factors constant, a unit of change in auditors' Information and Technology causes of 45.9% improvement on external audit quality. Besides, as displayed on same table, the t value was 1.847 at p value 0.023. As discussed above, if the t value greater than 2, and $p<0.05$, it is significant to the prediction of the dependent variable. Therefore, from the findings, it can be concluded that the influence of auditors' Information and Technology on external audit quality is statistically significant, in case of Private Certified Audit Firms, and this result leads to accept directional hypothesis.

The result of impact of auditors' Information and Technology on external Audit Quality on this study consistency with similar study made by Kanbiro Orkaido Deyganto (June 2021), in ''The determinants of external audit quality independency: : A case study on Ethiopian Authorized audit firms'' at Dila university.

Table 4.11 Hypothesis Summary

Hypothesis	Analytical Model	Outcome	Reason
H1 Auditors' Level of Education has a positive and effect on External audit quality.	Regression analysis	Supported directional hypothesis	β = .281; P < 0.05
H1: Auditors' Professionalism has a positive and effect on External audit quality.	Regression analysis	Supported directional hypothesis	β = .159; P < 0.05
H1: Auditors' work experience has a positive and effect on External audit quality.	Regression analysis	Reject directional hypothesis	β = .124; P > 0.05
H1: Auditors' evidence-based approach has a positive and effect on External audit quality.	Regression analysis	Reject directional hypothesis	β = -.017; P >0.05
H1: Auditors' Information and Technology has a positive and effect on External audit quality.	Regression analysis	Supported directional hypothesis	β = .459 P < 0.05

Source: Computed from the Questionnaire, 2024

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATION

5.1 Summary of Findings

The result obtained from the regression analysis briefly summarized as follow.

- Regarding to the regression result, the findings show that auditors' level of education significantly explains 28.1% of the variation in external audit quality. Therefore H1: there is significant effect of auditors' level of education on external audit quality is supported and conclude that auditors' level of education has a positive and significant effect on external audit quality.

- Regarding to the regression result, the findings show that Auditors' professionalism significantly explains 15.9% of the variation in external audit quality. Therefore H2: there is significant effect of Auditors' professionalism significantly on external audit quality is and conclude that Auditors' professionalism significantly has a positive and significant effect on external audit quality.

- Regarding to the regression result, the findings show that auditors' work experience insignificantly explains 12.4% of the variation in external audit quality. Therefore H3: there is significant effect of auditors' work experience on external audit quality is rejected and conclude that auditors' work experience has insignificant effect on external audit quality.

- Regarding to the regression result, the findings show that Auditors' evidence based approach insignificantly explains -1.7 % of the variation in external audit quality. Therefore H4: there is significant effect of Auditors' evidence based approach on external audit quality is rejected and conclude that Auditors' evidence based approach has insignificant effect on external audit quality.

- Regarding to the regression result, the findings show that auditors' Information and technology significantly explains 45.9 % of the variation in external audit quality. Therefore H5: there is significant effect of auditors' independence on external audit quality is supported and conclude that auditors' independence has a positive and significant effect on external audit quality.

- In overall, the results revealed that all independent variables accounted for 56.3 % of the variance in external audit quality (R2 = 0.563). Thus, 56.3% of the variation in external audit quality can be explained by the five dimensions and other unexplored factors may limit external audit quality which accounts for about 43.7%.

- Moreover, from the findings of this study, researcher found out that not all of the factors of external audit quality have positive and significant effects on external audit quality. Out of the five external audit quality factors three factors (Auditors' level of education, auditors' professionalism , and auditors' information technology) have positive and significant effects on external audit quality. However, auditors' work experience and Auditors' evidence based approach have a positive and negative with insignificant effect on external audit quality.

5.2 Conclusion

Based on the aforementioned summary of the finding the following conclusions were drawn as follows.

- The study also revealed that the level of education of external auditors had great influence over the audit quality of certified audit firms with their training, continuous professional education requirements and their informed interactions and analytical reviews being cited as the main indicators desirable to the respondents. Significant impact is achieved from conversations/interactions with external auditors along with the analytical reviews carried out when conducting audits.
- Professionalism of the external auditors was found to have a great influence on the external audit quality of certified audit firms. This is mainly through the way the external auditors communicate and relate with the company, their approach to contentious issues, focus on delivery, impartiality and unbiased judgment.

- The research results showed that external auditors work experience also has a insignificant influence over how the audit quality being implemented by the external auditors. The vast multi sector exposure, insightful and informed recommendations didn't found to be greatest value additions brought about by the external auditors which was found to be eliminating the audit quality.

- The study shows that external auditor's evidence-based approach influences the audit quality of the certified audit firms. Majority of the respondents not yet support that the external auditors ask relevant questions and review documents that are related to the scope and nature of the audit they are conducting and that they seek to obtain sufficient and appropriate audit evidence to back their opinions on the audit quality is still challenging. Finally, the study concludes that the external auditor's evidence-based approach had the weak influence on the audit quality of the certified audit firms.

- The study further concludes auditor's that Information and Technology has a great influence on the external audit quality of certified audit firms .IT improves audit quality through efficient data analysis, task automation, real-time monitoring for issue detection, client system integration for data accuracy, and secure information handling, enhancing audit effectiveness and reliability

5.3 Recommendations

Based on the findings and conclusion of the study, the following sound recommendations are forwarded to alleviate or at least to minimize currently encountered problems in the audit firms with related to determinants of external audit quality.

- External auditors should ensure that client engagement in form of communication, issue resolution, focus on delivery and credibility of deliverables are upheld as these forms the key indicators or professionalism from certified audit firm's management perspective.
- External auditors should give more emphasis on professionalism, level of education, relevant work experience and evidence-based approach to auditing as these are key pillars used in assessing their audit quality by certified audit firms.
- The study farther recommends that the external auditors should embrace multi-sectorial exposure and experiences which keeps them abreast with the latest developments and practices
- For avoidance of doubt and protection of repute, external auditors should always seek to obtain sufficient and appropriate audit evidence to back their opinions on the audit quality.
- External auditors should give attention for information and technology to achieve more quickly and affordable resulting in more effective and efficient audit results can be performed.

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Questionnaire Part

St. Mary's University

School of Graduate Studies

Dear Respondents

First of all, my sincere gratitude goes to you. I am working on my thesis for Master of Science in accounting and Finance at **St. Mary's University** and the title of my research is: ***"Determinants of external Audit quality: The Case of private Certified Audit Firms"***.

Thank You in Advance for Your Cooperation

Direction

- ✓ There is no need to write your name or other identity
- ✓ Your response would be kept confidential and was used only for academic purpose
- ✓ Please respond to the item in the questionnaire by putting a tick mark (√) inside the box.

PART ONE: DEMOGRAPHIC VARIABLE

1. Gender:

Male ☐ Female ☐

2. Age:

20 - 24 ☐ 30-34 ☐

25 -29 ☐ 35-39 ☐

40-44 ☐ 45 and above ☐

3. Level of Education:

Grade 12 &below ☐ Diploma ☐ Bachelor Degree ☐ Masters ☐ ACCA ☐

4. Work Experience in External Audit:

1-5 year ☐ 6–10-year ☐ 15 year ☐ More than 15 years ☐

5. Current Position:

Junior auditor ☐ Senior auditor ☐ Partners ☐ Director ☐

PART TWO: Determinants of External Audit quality

Please indicate your level of agreement (whether you agree or disagree) with each statement using the scale below as a guide: put **(√)** on your selection.

1= Strongly Disagree 2= Disagree 3= Neutral 4= Agree 5= Strongly Agree

S/N	Determinants of Audit Quality	strongly Disagree	Disagree	Neutral	Agree	strongly agree
	External auditor Level of education					
1	The external auditors engage in meaningful conversations and arguments.					
2	The analytical reviews done by the external auditors are well informed.					
3	The professional certifications of the external auditors prove the workforce.					
4	The staff coming to our organization from the external audit firm are well trained in the latest sector trends.					
5	Continuous professional education requirements have ensured the external auditors are kept up-to-date.					
6	When dealing with the external auditors, I do not need to reiterate explanations and discussion on concepts regarding the operations of the audit quality of my organization.					

7	I can refer to the external auditors for guidance on policy development to guide audit quality implementation due to their wealth of knowledge.					
	EXTERNAL AUDITORS' PROFESSIONALISM					
1	The external auditors have good communication skills with team formally.					
2	The external auditors have a strong work ethic.					
3	Focus on delivery is one of the key factors why the external auditors are engaged.					
4	When the external auditors embark on an assignment, they seek to deliver on the required tasks					
5	The external auditors approach issues in a manner which I consider to be professional.					
6	The external auditors discuss it with the concerned stakeholders/teams first to understand the matter prior to reporting.					
7	The external auditors present and explain the identified control deficiencies in a manner which I am able to understand.					
8	The external auditors are professional in everything they do.					
9	The external auditors remain calm and focused on friendly resolution of the matter at hand.					
10	I trust that the external auditor will provide a credible report on the audit quality.					
11	I hold the external auditors in high regard due to their operational objectivity.					

12	The external auditors have integrity and report their findings with the highest levels of truthfulness.					
13	The external auditors feel and act like they are part of my organization.					
	EXTERNAL AUDITORS' WORK EXPERIENCE					
1	The external auditors bring in new ideas while conducting audits due to their multi-sector exposure .					
2	Conversations and discussion held with the external auditors are very insightful and informative.					
3	The recommendations that come from external auditors are usually based on best practices in the sector.					
4	The value-addition obtained from the external auditors mainly emanates from their vast experience.					
5	External auditors' depends on the reports and recommendations.					
6	The external auditors refer for guidance on policy development to guide audit quality implementation					
7	The external auditors are reliable since they more often than not have faced similar issues.					
8	External auditors' experience helps the auditors to notice material misstatements.					
EXTERNAL AUDITORS' EVIDENCE-BASED APPROACH						

1	The external auditors ask relevant questions and review documents that are related to the scope and nature of the audit they are conducting.					
2	The external auditors seek to obtain sufficient and appropriate audit evidence to back their opinions on the audit quality.					
3	Evidence collected and reviewed by the external auditors is sufficient to test conformance to selected standards and policies.					
4	The external auditors present deliverables with verifiable documentation with reference to support documents used and is laid out in an understandable document/report.					
External Auditors Impact of Information and Technology						
1	Do external auditor find that technology helps automate repetitive tasks in external auditing, such as data entry and validation.					
2	Do external auditor utilize data analytics software to analyze large volumes of data and identify patterns or anomalies during audits.					
3	Do you external auditor prefer conducting audits remotely, accessing client systems and documents from anywhere using technology					
4	Do external auditor use cloud-based platforms for storing audit documentation, collaborating with team members, and accessing real-time data.					
5	Do external auditors often undergo training and education to keep pace with technological advancements in auditing.					

6	Do external auditor ensure adherence to ethical guidelines when using technology in auditing, ensuring impartiality, confidentiality, and integrity throughout the process.					
AUDIT QUALITY						
1	Awareness of client's industry is achieved during the audit planning stage.					
2	The firm is responsive to increase the client satisfaction					
3	The audit work is conducted in compliance with audit standards.					
4	The audit opinion is made based on prudent work.					
5	The audit firm is committed to achieve audit quality.					
6	Senior auditors are involved on each audit assignment.					
7	Auditors conduct their assignments in high ethical standards.					
8	Auditors conduct their assignments in a manner of professional skepticism.					
9	Adequate time relevant to draw opinion is allocated for audit assignments.					

Thank You in for Your Cooperation!