



ST. MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

**THE ASSESSMENT OF EXTERNAL AUDIT PRACTICE: IN THE CASE OF
PRIVATE AUDIT FIRMS IN ADDIS ABABA**

BY: TATEK AREGA

ID NO: SGS /0164/2013B

ADVISOR: ASMAMAW G. (ASST. PROFESSOR)

JULY, 2024

ADDIS ABABA, ETHIOPIA

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY SCHOOL OF
GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN
ACCOUNTING AND FINANCE**

JULY, 2024

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THESIS TITLE

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APPROVED BY BOARD OF EXAMINERS

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DECLARATION

I, Tatek Arega declare that “the assessment of external audit practice in Ethiopian: in the case of private audit firms in Addis Ababa” is my original work, prepared with Advisor Asmamaw G. (Asst. Professor) all sources of materials used for the thesis proposal have been duly acknowledged. I further confirm that the thesis proposal has not been submitted either in part or in full to any other higher learning institution for earning any degree.

Researcher's: Name Tatek Arega

Signature _____ Date _____

St. Mary's University, Addis Ababa

STATEMENTS OF CERTIFICATION

This is to certify that the thesis proposal prepared by Tatek Arega entitled “the Assessment of External Audit practice in Addis Ababa: the case of private audit firms in Addis Ababa”, in partial fulfillment of the requirement for degree of Masters in Accounting and Finance fulfills with the regulation of University and meets the accepted standards with respects to originality and quality.

Name of Advisor: Asmamaw Gete. (Asst. Professor)

Signature _____ Date _____

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ABSTRACT

The purpose of this thesis is to evaluate the factors that may affect the quality of audits performed by external private audit companies in Addis Ababa, with a particular emphasis on the impact of independence and experience. In order to accomplish the goal, a sample survey questionnaire that was sent to auditors employed by Addis Ababa-based private audit firms was tested as part of the study's mixed research methodology. By employing basic purposive sampling to get a trustworthy answer. Closed-ended surveys will be chosen, and in-person interviews with people who are employed and knowledgeable about the field will take place. Descriptive statistics are used to examine the data from the questionnaire, and qualitative analysis is used to interpret the information from the interviews. The results of the study show that auditors are responsible for the quality of the audit during the audit and are legally responsible for what is subsequently observed in the audited annual accounts. Currently, auditors in the field are positively inclined towards the most positive practices, but the lack of enforcement and training systems has resulted in a lack of practice in the field. The solutions to most practice problems appear to be strengthening government control of the practice and training operators to meet global standards.

Key words: audit practice, oversight, AABE, audit firms, external audit, Professional Ethics

LIST OF ACRONYMS

<i>AABE</i>	<i>Accounting and Auditing Board of Ethiopia</i>
<i>ACCA</i>	<i>Association of Chartered Certified Accountants</i>
<i>ASC</i>	<i>Audit Service Corporation</i>
<i>EEAA</i>	<i>Ethiopian External Auditor Association</i>
<i>EPAAA</i>	<i>Ethiopian Professional Association of Accountants and Auditors</i>
<i>GAAP</i>	<i>Generally accepted accounting principles</i>
<i>GAAS</i>	<i>Generally accepted auditing standards</i>
<i>IAASB</i>	<i>International auditing and assurance standards board</i>
<i>IASB</i>	<i>International Auditing Standard Board</i>
<i>IESBA</i>	<i>International Ethical Standard Board of Accountants</i>
<i>IFAC</i>	<i>International Federation of Accountants</i>
<i>IFRS</i>	<i>International Financial Reporting Standards</i>
<i>ISA</i>	<i>International Standards on Auditing</i>
<i>OFAG</i>	<i>Office of the Federal Auditor General</i>

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CHAPTER ONE

1. Introduction

This section of the thesis proposal presents the introduction and background of the study, statement of the study, research objectives, significance of the study, the scope, overview of methodology, limitations of the study as well as the organization of the study.

1.1 Background of the Study

An unbiased, methodical examination of records, activities, and performance by an auditor is known as an external audit, sometimes known as a business audit. It is fairly usual to provide an impartial assessment of a set of financial statements. Financial statements can be used with confidence by bankers, creditors, investors, and others thanks to good auditing practices. The audit offers users enough assurance that the financial statements of an economic entity provide accurate and sufficient information about its financial position, business activity, and changes in financial position in compliance with accounting rules, even though it does not guarantee the accuracy of the financial statements. Because an audit is conducted by an independent party, users are more confident that the financial statements are free from substantial errors and fraud. The goal of an audit of financial statements are intended to provide the auditor with the opportunity to provide an opinion regarding whether or not the financial statements have been prepared in a way that complies with the relevant financial reporting framework. One type of assurance engagement is a financial statement audit, as described by the Institute of Internal Auditors (2018).

The role of external auditors in ensuring the reliability and credibility of financial information is crucial for the functioning of the business environment. This study aims to assess the performance and challenges faced by external auditors in Ethiopia, specifically focusing on private audit firms in Addis Ababa. The study will also explore the utilization of audited financial statements prepared by audit firms by the Ethiopian Revenue and Customs Authority (ERCA) for tax purposes.

The primary audience for the information in the company's annual accounts is the owners. Many others, nevertheless, utilize the information for ulterior objectives. It is used by company management for decision-making, and creditors and lenders look through it to assess how safe their money is. Taxes are

imposed by the government on initial claims (ACCA) The external auditors follow (ISA, 2005) and are qualified to carry out their audits on their own. Because they lessen tax evasion, protection, and evasion, external auditors are crucial to tax collection. The Minister of Revenue cannot minimize tax evasion; quality certification of the external auditor's accounts is also required for that purpose.

As we know, taxes are the main source of income for the government. External auditor good In practice, the same external auditors play an important role in increasing the tax liability, whose effectiveness in collecting taxes may differ, in order to avoid unnecessary tax liability in the future by reconciling the client's accounting report with the tax law and the order of the Minister of for various reasons, such as the amount of the audit fee of the company and not knowing the background of the client, external auditors usually play a key role in the effectiveness of taxation.

An important role-play is to play the role of an outsider reviewing the accounts and making a statement to allay doubt by giving credence to certain news that the consumer of the information can act well to create a trust. To achieve this goal, the external audit provides the opportunity to be able to reject the assumption that the external person who controls financial accounting is an authorized person who can tolerate or correctly assess the impact of the financial management of the company of the manager due to the added oral professional knowledge, accounting experience and experience related to financial rules.

According to the International Contact Auditing Standards published by the International Auditing and Assurance Standards Board (IAASB), the external audit bear beautifies the self-belief of a different consumer when it comes to a non-cash affidavit by pressuring or coercion. opinion Considering the action, they must decide whether they can obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error (ISA 700) Over the years, various researchers studied their various qualifications in-depth on the financial accounting practices of internal and external auditors in Ethiopia.

In order to obtain the necessary starting points to determine the desired financial stability, it is essential to develop good audit practices, the main objective of which is to ensure that all parties are responsible for the performance of administrative tasks. Developing good auditing practices for auditors could offer them the opportunity to operate in a more ethical business environment, showing their real added value to improve the financial reporting process. (Beyene2007), Based on the above discussions, there is a

need to conduct comprehensive research on the audit practices of selected private audit firms in Ethiopia.

The researcher concludes by anticipating that the reader of this document will have gained a deeper understanding of the audit sector in Addis Ababa, as well as insight into its implications for other regions in Ethiopia. The majority of audit firms in Ethiopia are concentrated in the capital city, enabling readers to extrapolate lessons from this study to other parts of the country. Furthermore, this research aims to inform auditors and stakeholders on the significance of understanding and applying key auditing principles, and their potential impact on organizational operations.

1.2 Statement of the problem

Potential compromise in audit practice, when an audit firm provides audit services to an audit client, is a primary concern when there is a gap between the auditor's understanding of the external audit practice that should be used and what is currently being used. This concern is mainly due to the conflict of interest between the agent and the owner, and how this difference in practice and reality affects government revenue, control, and how the same difference affects the relationship between audit quality and audit practice as auditors is a primary concern in this study (Khaddash, 2013). Although other studies tried to address this topic, most followed general studies and did not look at the topic from the perspective of the auditor perception, which is done in this study with a sector-specific analysis.

Audit firms are expanding rapidly across the city, although market forces will deal with those who do not provide satisfactory service to their clients, the audit sector is too important to be left to market forces because, as stated above, firms can affect shareholder welfare and government revenues. Some previous works have shown that differences in perception and implementation have a negative effect on practice as a whole, and this difference is more widely observed in developing countries. Because the differences were not precisely defined and the practice was not pointedly ignored, efforts to address the problem stalled.

Although there is a regulatory body such as the Ethiopian Professional Accounting and Auditing Association (EPAAA), and the Accounting and Auditing Board of Ethiopia (AABE) appointed by the government, the industry and regulatory body controls, and to be expected, this has resulted in quite a few companies acting in the interests of individuals and management rather than Since the practice is still in its infancy in the city and the countryside, we have to face some problems, some of which have already been discussed above, but government and company-level supervision, and communication between various people are also important, control levels and information gaps. The study focused on

specific problems that are related to the professional ethics, roles and responsibilities of auditors, and how that affects the audit practice as a whole. It also explored on the ways these problems could be addressed. The findings and recommendations can be considered as contributions to the literature as a comprehensive research finding on the impact of audit firms and their audit practices.

The rapid expansion of audit firms in Addis Ababa has raised concerns about the gap between audit practice and reality, leading to conflicts of interest between auditors and clients (KPMG, 2018). This disparity has a negative impact on government revenue and control, as well as the relationship between audit quality and practice (International Federation of Accountants, 2017). Specifically, the study aims to investigate the specific problems related to professional ethics, roles, and responsibilities of auditors and explore ways to address these issues to improve audit practice as a whole.

1.3 Research Question

In order to assess the current audit practices of selected private audit firms in Ethiopia, the following research questions are formulated to conduct the study.

- a. What is the role and responsibility of external private auditors in practicing audit?
- b. What are some of the limitations of External Auditors in their professional duties?
- c. Is ERCA uses audited financial statements prepared by audit firms for tax purposes?

1.4 Objective of the study

1.4.1. General Objective

The main objective of the study is to assess the external auditors in audit practice. In case of private audit firms in Addis Ababa.

1.4.2. Specific Objectives

Based on the general objective, the following are specific Objective answered by the research

- ✓ To evaluate whether external private auditors carry out their auditing duties in accordance with their professional roles and responsibilities
- ✓ To comprehend the constraints that the private auditors faced while carrying out their official responsibilities.
- ✓ To evaluate if ERCA utilizes audited financial statements for tax purposes that have been prepared by audit firms.

1.5 Significance of the study

The purpose of this study is to decide the assessment of External auditors to audit practice and increment the reliability of distributed financial statements. Research have the taking after meaning; the consider makes a difference partners within the commerce environment to distinguish its level of responsibility and cross-checks proficient accounts so that they fulfill their obligations concurring to rules and controls and the Code of Proficient Morals. Evaluators are freedom from the impact of their clients to deliver a quality review report, which plays an critical part in practicing review. It moreover gives review firms with positive data on how to perform the hone within the nation. It can be utilized to look at the current state of review firms in Ethiopia with a worldwide see of the calling. Raising the mindfulness of the common open and the control to check this overview is exceptionally vital for the government since it makes a difference to discover out the precise tax obligation of the tax payers Commitment to the improvement of the profession in Ethiopia. At last, it can be utilized as a reference for further research.

This study is specifically limited to audit firms operating in Addis Ababa. The study focuses on evaluating the credibility of external audit firms in audit practice in Ethiopia and providing assurance services to the corporate sector, state-owned enterprises, other multinationals and local NGOs. In most cases, however, these private auditing companies do their services to the state or public administrative organizations whose budget comes from the state treasury.

1.6 Limitation of the study

Due to the current expansions of audit firms, the research did not manage to include all audit firms that are existing in the nation. In addition to increased number of audit firms, identifying better-performing audit firms was difficult because the classification system based on performance is no more existing. For these reasons, the research is limited to the type of audit firms represented to this study. Moreover, it has been difficult to find previous research done on the area of study and there is insufficient literature on the perspectives of auditors on the audit practice in the context. Based on the limitations of the research mentioned above, the researcher has made great efforts to understand the audit practice with role and responsibility and independence of the auditors, to design the research as appropriately as possible, and to achieve certain objectives.

1.7 Organization of the paper

The study was organized into five chapters. Chapter one presents the introduction aspect of the research which includes: background of the study, statement of the problem, objectives, research questions and, scope and limitation of the study, significance of the study and organization of the paper itself. Chapter two contains a review of literature of most significant theoretical and empirical studies. Chapter three concerned with the research methodology that incorporates research design, research approach, sampling techniques, data collection methods and data analysis method.

2. REVIEW OF RELATED LITERATURES

2.1. Introduction

As stated in the above chapter, the main objective of this study is to assess the external audit perception of private audit firms operating in Ethiopia and its overall impact on the audit practice they provide. This chapter provides the reader with an overview of the various areas of previous and existing literature related to various variables such as Governmental oversight, competition and customer satisfaction and the auditor's training and experience with the objective of audit perception. This chapter will help the readers to understand the concepts related to this study as well develop your knowledge from the opinions of various researchers and authors in relation to the substance under study. The study has three sections:

Section 2.2.Theoretical frame work, Section: 2.3. Empirical review and Section 2.4.Conclusions about the literature review and knowledge gaps are offered at the end.

2.2. Theoretical framework

Before discussing the practice of audit services, it is essential to understand the need of and the demand for audit services. The word “audit” is derived from the Latin word “audire” which means the act of listening. The concept of auditing might be explained as a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicate the results to interested users (Mock, 2014). In the audit process, there are two parties; auditee and auditor. A conflict of interest arises between the owners or shareholders of the company and the management of the company, whose owners pay a fee for the management services they provide. At the core of the agency problem is the separation of management and finance, or ownership and control in more common terminology (Shleifer). This forces us to look for a way to solve the problem of the institution in our context, which is the lack of a quality auditing service. Audit quality is measured by whether or not the published audit opinion shows that the annual financial statements of the audited company provide correct information about the company's financial position and results in all material respects (DeZoort, 2012).

Former researchers in the field have reached different points of view in determining the factors affecting audit quality. (Al-khaddash. H, 2013) identified six theoretical concepts for measuring audit quality: audit firm reputation, audit fees, industry specialization, audit firm size, auditor compensation, and auditor independence (Sawan, 2013) link audit firm size and audit quality and argue that large audit firms have more resources to devote to the recruitment and training process, which gives them the human ability to detect and correct accounting errors. In addition, (Angelo, 1981) relates audit quality to audit firm size. However, contrary to this view, (Arnett and Danos1979) cited by (Nwanyanwu, 2017) stated the following about audit firm size:

When discussing the determinants of audit quality, for example, from the perspective of audit firm size, regardless of the size of the audit firm, if the company has qualified and independent auditors, it makes sense that the audit firm would provide high quality audit service. However, it is expected and natural that the audit community will grow as a result, thanks to a quality audit service that improves the reputation of the company. This leads us to the conclusion that increase in size is the result of quality audit activity, not the reason for quality audit. If the researcher learns that the financial statements audited by the auditors working in large auditing firms reflect the financial condition of the audited company better than the annual accounting statements audited by the auditors of smaller auditing firms, is it reasonable to conclude that the size of the audit firm? is a determining factor according to the quality of the audit, or is it better to make further diagnoses with the question "why large auditors of audit firms get a better result"? If the researcher is able to extend the research to this stage, important content elements will now emerge.

Another reason why former researchers consider audit firm size as a determinant of audit quality stems from their belief that large audit firms have more resources to train auditors. As this study has already tried to explain, the quality to focus on in this case is the competence of auditors, not the availability of resources to train auditors. This is because even small audit firms can train auditors, and the auditor himself can improve his qualifications by joining the remote education In addition, expertise can also exist through experience. "If we assume that the quality of the audit is the same regardless of the size of the company performing it, the banker would have the same information to rely on decision; In this way, the size of the company should not necessarily be taken into account" cited by (Sawan, 2013). All these evidences support the opinion of this study that measuring audit quality provides better foundation for this concept (De Angelo's 2016) definition of audit quality soon assumed auditor independence and auditor competence.

2.2.1. Audit quality

The term "audit quality" is often used in stakeholder discussions, communications between regulators, standard setters, audit firms and others, and in research and policy development. Audit quality is a complex topic and there is no generally accepted definition or analysis of it (IAASB, 2014).

Hardiningsih et al. (2019) presented the following thoughts on audit quality: There are two schools of thought when defining audit quality: De Angelo's definition of audit quality and audit quality is measured by the level of compliance with standards. The auditor must be instructed in the performance of the task according to professional standards and rules of professional ethics. Accountants must always uphold the value of ethics and moral rules Of all the different views on audit quality,(De Angelo, 1981) definition is the most frequently mentioned. Audit quality is the joint probability that the auditor detects and reports a breach in the client's accounting system. The likelihood that an auditor will report a perceived violation is actually in the definition of auditor independence (Watts, 2009).

Another approach to defining audit quality is a more normative way of thinking (Krista Fiolleau, 2013) stated that audit theory is a guide to conducting a normative audit. To conduct a highquality audit, the auditor must follow generally accepted standards and regulations. Audit quality is measured using auditing standards and generally accepted regulations.

An audit is an independent, objective inspection and control activity aimed at creating value and improving internal control and organizational performance. It helps the organization to achieve its goals by invoking an effective and well-organized approach to evaluating and improving the effectiveness of risk management, control and management processes (International Audit and Assurance Standards Board, 2009).

2.2.2. The role and responsibility of external auditors in audit perception

The auditor is responsible for evaluating, checking, and reporting. Illegal acts and errors are among the most controversial issues in auditing and are frequently discussed by auditors, politicians, media, regulators, and the public(Mansoury, 2009).

The external auditor plays an important role in providing stakeholders and other users of financial statements with sufficient assurance about the quality of the financial information provided. As an independent, objective body, shareholders, creditors, and other interested parties rely on the auditor's report to decide whether the information should be relied on in making decisions. Competence and

independence are the most important qualities that many stakeholders expect from an external auditor. National licensing requirements concern the technical qualifications of the foreign inspector. The state of freedom is more difficult to define. From the beginning, the role of auditors was not well defined ((Alleyne, 2005). (Porter, 1996) examines the historical development of the auditor's responsibility for fraud detection and reporting over the centuries and shows that auditing practices and the evaluation of auditing practices have passed through several stages. (PM Bynton, 2004) argue that auditors should be more active in looking for fraud during the audit process.

Jensen and (Meckling, 2010) also show that similar considerations apply to a debt or bondfinanced firm. In this case, the owner-managers borrow money to operate the business. Here also the motivations of the managers differ from those of the financiers of the organization. Once managers have collected money from debt holders, they can use that money to invest in risky activities. Debt holders recognize the incentives of managers and shareholders to engage in risky activities, possibly at their expense, and therefore demand a higher interest rate or risk premium for the funds they provide to the firm. However, managers and shareholders can lower the insurance premium by entering into insurance debt covenants that limit the risk of debt holders. An independent auditor can help managers and shareholders demonstrate to debt holders that such risk mitigation principles are being followed.

Similar questions concern the role of debt covenants and audit control in solving the problem of underinvestment(Myers, 2003) analysis indicates that shareholders of an indebted firm may have an incentive to reject investment projects with positive value if returns accrue to debt holders. (Smith Jr, 2015) describe the various types of covenants used to protect bonds against the incentives of managers and shareholders to act against their own interests. An audit helps to verify the accounting requirements of such contracts and to ensure that the contracts are fulfilled. If the investments are profitable, the managers can return the promised amount to the debt holders and keep the rest. If the investments perform poorly, they can simply default on the debt. In this case, the shareholders are on the side of the managers because they too can benefit from risky activities after the debt is issued. Based on the above research, several factors may influence audit fraud and abuse. In this research, the researcher has to study the effect of control checks on fraud detection.

2.2.2.1. Professional Responsibilities

United States Government Accounting Office (United States Government Accounting Office), cited in (Muluneh 2007. GAO 2007) asserted via the Internet that the auditee, not the auditor, is responsible for

the preparation of financial statements. Therefore, officials of a regulated entity responsible for the use of public and private resources, as well as auditors of government programs or entities, fulfill key duties and responsibilities to ensure the effective, economic, efficient and legal use of public funds. Audit organizations also have an important responsibility to ensure that auditors can fulfill their responsibilities. These unique responsibilities include implementing good corporate governance practices and providing professional audits and certifications (US GAO). As explained by the United States Government Accountability Office, the duties of auditors are:

In the performance of their duties, auditors must respect the values of serving the public interest and adhere to the highest standards of honesty, objectivity and independence. The term "public interest" refers to the general welfare of the individuals and organizations served by auditors. The auditor's responsibilities are based on these principles. Auditors must conduct themselves in a manner that serves professionalism, public trust and the public interest. Taking one's duty to the public is a hallmark of a calling. This role is indispensable in conducting audits in public administration. GAAS contains the idea of responsibility, which is essential to promote the common good (Muluneh 2007. GAO 2007).

Auditors must be professional, objective, factual, impartial and ideological in their dealings with auditees and users of auditor's reports. Auditors must be honest and fair in their work with the audited entity and the users of the auditors' work, observing the confidentiality laws, regulations or practices of the audited entity. Auditors must be careful about the use of information obtained in the performance of their duties. They must not use such information for personal gain or in any other way that would harm the legal and ethical goals of the audited community (GAO 2007).

Auditors must be objective and free from conflicts of interest in the performance of their duties. Auditors are also responsible for providing factually and ostensibly independent auditing and attestation services. Objectivity is a state of mind that requires auditors to be impartial, intellectually honest and free from conflicts of interest. Independence excludes relationships that may actually or apparently impair the objectivity of the auditors in performing an audit or certification engagement. Maintaining objectivity and independence requires continuous evaluation of relationships with audited entities in relation to auditors' public responsibilities. Auditors must disclose all relevant or material information that helps management and other users of the reports understand their responsibilities under GAAS and the extent of attestation required by law and regulation of which they are aware in their reports on engagement results because the auditors' failure to make .So could mislead competent users. , misrepresent findings or conceal inappropriate or illegal activity (GAO 2007).

Auditors must provide engagement planning, performance, and reporting information to parties during the planning phase of an audit or certification engagement (U.S.GAO, 2007).

(Meigs, 2015) investigated in their study that GAAS are authoritative rules for measuring performance quality. Also according to (Arens, 2012), the existence of GAAS is evidence that auditors are very interested in maintaining a consistently high quality of audit work performed by all independent auditors. If each auditor has sufficient technical training and performs audits skillfully, carefully, and professionally, the prestige of the profession increases and the public pays more and more attention to the statements of auditors attached to the annual financial statements (Arens and Loebbecke).

Auditors should report to users of the audit report to what extent they believe it affects a "true and fair view" or "fair presentation" (Lynch 2004). Therefore, it is reasonable to conclude from the discussion of the researchers above that unit management is responsible for the efficient, economical, and productive use of the unit resources. In addition, it is the responsibility of management to prepare financial statements in a manner that is easily auditable. On the other hand, auditors have the duty to form an independent opinion based on the audit and to communicate their conclusions to the users of the audited financial statements. Accordingly, auditors must be guided by standards or principles formulated by the professional and/or regulatory body of which they are members or under which they are established.

2.2.2.2. Legal Responsibilities

Statutory responsibilities of auditors and corporate or national legislation include a general duty to report to users whether financial statements give a true and fair view or fairly describe the auditor's financial position and results of operations. Specific tasks, such as considering whether the information in the annual report is consistent with the financial statements and whether the company has kept proper records, were seen as limited by legal requirements (Loebbecke, 2008).

Similarly, the Auditing Standards of the Government of Ethiopia state that the Statement of Auditing Standards describes the basic principles that guide the auditor's professional responsibilities and must be followed when conducting an audit. It provides a framework within which professional judgment must be exercised and sets minimum standards to be followed for individual audits (EGAS: Ethiopian Government Auditing Standards (EGAS, 2004). As there is currently no well-organized and authorized professional accounting and auditing body in Ethiopia, no formal professional standards have been issued. The preparation of detailed ethical principles and rules is mainly the task of professional

associations, and all members of the associations are obliged to accept, implement and monitor these requirements.

As there is no organized strong national professional association in Ethiopia, there is no comprehensive set of ethical standards for the conduct of professional accountants. Statutory auditors must adhere to ethical rules established by the professional associations of which they are members (OFAG, 2004).

2.2.3. Audit plan

Naturally, it is reasonable to assume that planning occurs towards the start of an audit engagement. However, according to (ISA 300), planning should not be seen as a discrete and separate part of the overall audit. Planning often begins shortly after, or in connection with, the completion of the previous audit, for example, with a review of issues that were discussed with management, such as control deficiencies or unadjusted errors. Such matters are relevant to the next year's audit and need to be considered when planning. Similarly, the audit plan may be revised as the audit progresses, and should not be viewed as being fixed in place once the main planning phase has ended. For example, a significant event may take place as the audit is in progress, meaning that the audit plan needs to be changed.

The nature and extent of planning activities depends on the size and complexity of the audit client, previous experience of the audit firm with the client, and any changes in circumstance that may occur during the audit.

2.2.4. Audit procedure

Audit procedures are the techniques, processes, and methods that auditors use to obtain reliable audit evidence, which enables them to gain a sound judgment about an organization's financial status. Audit procedures are conducted to help determine whether or not a company's financial statement is credible and factual. The regular implementation of these procedures helps establish a business's financial reputation and strengthen its trustworthiness in the eyes of its customers, the market, and potential investors by making, Inquiry, Confirmation, Observation and Inspection of documents (ISA 300).

2.2.4.1. Inquiry

One of the simplest control procedures is a question. In this procedure, auditors collect oral evidence through formal or informal interviews with people in the organization. Although this type of evidence is

important, it is not strong enough to stand alone and requires other documents or evidence to be considered valid.

2.2.4.2. Confirmation

Like an inquiry, an audit asks for an explanation of the organization's transactions. However, the main difference is that auditors confirm them directly by communicating with a third party or other external sources with which the organization has relationships.

2.2.4.3. Observation

With this type of audit process, auditors typically seek to ensure that the organization is implementing existing business procedures or initiatives. Such a procedure gives auditors an understanding of how internal processes work and whether they can affect the functioning of the entire organization

2.2.4.4. *Inspection of document*

Document review is the process of collecting and investigating transactions using recorded information. This can be done in two ways: assurance and monitoring. For warrants, inspectors manually check coupon details to verify transaction information. At the same time, tracing is the process of confirming events by tracing their relationships to the original document.

2.2.4.5. *Inspection of physical or tangible assets*

A tangible asset audit is a procedure in which auditors physically inspect a company's assets, including real estate such as land, buildings, vehicles, equipment, or inventory. This process not only confirms the existence of the property but also helps determine if there were any defects or damages affecting the value. Auditors can make a list of all the fixed assets of the company or use it to do an asset registration audit.

2.2.5. Elements of External audit

The most important audits carried out by external auditors are the audit of annual accounts, the audit of operations, and the audit of compliance with requirements. An audit (or audit) examines financial statements, documents, and related activities to ensure compliance with generally accepted accounting principles.

2.2.5.1. Financial statement audit

An audit of financial statements is the examination by an independent auditor of the financial statements and related information of an (economic) entity. The result of this audit is the auditor's conclusion, which indicates the correctness of the financial statements and related information. The audit report must be attached to the annual accounts if it is made available to the intended recipients.

The purpose of auditing annual accounting reports is to increase the reliability of the reported financial position and business results. The Securities and Exchange Commission requires all public entities to file audited annual reports with it. Lenders also usually require an audit of the financial statements of each entity they lend money to. Suppliers may also require audited financial statements before they are willing to grant trade credit (although usually only if the amount of credit requested is significant). Audits became increasingly frequent as the two main accounting frameworks, GAAP and International Accounting Standards, grew in complexity and large companies consistently disclosed fraudulent reporting.

2.2.5.2. Operational audit

Performance monitoring examines how an organization does business and aims to identify improvements that increase its effectiveness and efficiency. This type of audit is fundamentally different from a normal audit, the purpose of which is to verify the adequacy of control and assess the correctness of the presentation of the financial statements. Operational audits are usually conducted by internal audit staff, but experts may be hired to conduct audits in these areas. The main users of the audit recommendations are the management and especially the managers of the investigated areas.

2.2.5.3. Compliance audit

A compliance audit is a process of independently assessing an organization to ensure compliance with external rules, regulations, and laws, as well as company rules, policies, and procedures. A compliance audit examines in depth how an organization adheres to regulatory guidelines. It also addresses the effectiveness of internal controls to determine how you monitor and measure your performance against these external and/or internal requirements. Compliance control must be independent and not necessarily carried out by someone outside your organization but by someone independent of the assessment work.

2.2.5.4. Investigation audit

An investigation is a detailed examination of the accounts and inquiries about the state of the business or for a specific purpose. It involves the process of analysis, collection, and presentation of facts in a way that allows the parties to know the relevant facts related to the matter under investigation. Research spans more than one fiscal year and the program depends on the type of research. Example: An investigation is conducted to reduce suspicions of fraud and theft, to identify the causes of ongoing losses and low productivity, and to assess the company's creditworthiness.

2.2.6. Factors affecting External Audit practice

2.2.6.1. Auditor Competence

Competence can be developed through a variety of methods, including professional learning and continuing professional development, including training, work experience, and mentoring by more experienced staff (IAASB, 2018). (Mautz, 2015) defined competence better than professional competence and made the following observation. Professional competence has two aspects: technical competence and social competence.

Technical competence includes (1) knowledge of accounting principles, (2) understanding of accounting theory, including auditing standards, auditing techniques and procedures, and their application to specific situations, and (3) understanding of internal affairs. supervision and (4) procedures for completing audit program stages, preparing relevant work papers, developing audit programs, and supervising the work of subordinates..

An accountant must have global knowledge to face the realization of a free competitive market. With an adequate understanding of the audit profile, audit procedures can be performed better and can lead to higher-quality audit reports (Hardiningsih, 2019). The auditor must be qualified; An unqualified auditor usually relies on the opinions of others when performing audit tasks, as they have very limited knowledge and experience (Kertarajasa, 2019). According to (Kertarajasa, 2019)cited in (Knoers., 2008)), experience is a learning process, and the increase in possible development behavior from both formal and informal learning can also be interpreted as a process that leads a person to a higher level behavior

2.2.6.2. Audit independence

The importance of auditor independence was underpinned after the corporate scandals. From the bankruptcy filing of Enron on December 2, 2001 for 12 months, an unprecedented string of large bankruptcies and corporate scandals emerged. Six of the ten largest corporate bankruptcies occurred in this period (Mansouri A. P., 2009). Independence is the main justification and the hallmark of existence of the auditing profession. It is recognized as a key attribute to be maintained by the auditors in all circumstances (Albeksh, 2017). The International Ethics Standards Board for Accountants (IESBA) is a global independent standard-setting board including international independence standards in which its structure, process and operation is supported by the (International Ethics Standard Board of Accountants (IESBA, 2018).

In other words, when an auditor exercises integrity and objectivity, he/she supports professional skepticism. Not only must an auditor be independent, however, but he or she must be perceived as independent as well. The external auditor's professional opinion would be of little value to statement users if they believe the auditor is not wholly independent of management (Mansouri, 2009).

Independence is having a position to take an unbiased viewpoint in the performance of audit tests, analysis of results, and attestation in the audit report(Hayes, 2005). Auditor independence refers to the auditor's ability to maintain an objective and impartial mental attitude throughout. The audit(Soltani, 2007). The common belief that independence is able to solve all the problems faced external auditors, while it is a part of the justice system in the audit profession. When the independence of the external auditor was discussed, researchers recommended that there is a necessity of vocational rehabilitation of the external Auditor (Albeksh H. 2016).

2.2.6.3. Audit fee

Audit fee refers to all fees paid by companies to external auditors for audit services and non audit services, e.g. management advisors and consultants. Audit fees primarily consist of the salary and benefits of office and field personnel, travel expenses, and other expenses necessary to conduct the audit and related support activities. Rewards correspond to employees' estimated working time costs and actual travel costs for their activities, plus a profit margin. In their discussion (WR Kinney, 2002) argued that the threat to auditor independence can be as high as the audit fee is high.

Several studies have empirically investigated the relationship between audit quality and audit fees;(Y Wang, 2014) assume that audit services are qualitatively differentiated and that quality differences are reflected in fees in competitive markets. However, because audit fees have multiple determinants, they are a noisy indicator of quality. previous studies examining whether audit committee presence, audit committee characteristics, and internal audit use are associated with higher audit fees in the Australian setting concluded that higher audit fees mean higher audit quality (Y Wang, 2014). Several authors have argued that managers and entrepreneurs are willing to pay higher audit fees to obtain higher-quality audits.

2.2.6.4. Audit experience

According to(T Yang, 2012), an experienced auditor can identify accounting problems, classify those problems or issues as significant, refine the focus of the audit, or redirect the audit when new information is taken into account. The importance of experience can be demonstrated when an experienced auditor can develop a more effective investigation plan by identifying several different types of fraud based on personal audit experience. The more experienced inspectors are involved, the wider the fraud database (Bologna, 2013).(Cohen m, 2005)stated that a person with more experience in a particular field has more ability to develop specific questions related to his experience and his technical audit ability increases with more experience in performing audit tasks. More experience improves the quality of inspections, especially inspection ratings.

2.2.6.5. Certification

Certification is the percentage of external auditors who hold CPA certification in the external audit function. The purpose of certification is to create a standardized test instrument that accurately assesses the skills required to pass a valid accounting exam (Rezaee, 2010). The professional certificate of the formal training process states the minimum qualification of an individual inspector(Mui, 2009). Any person who meets the qualifications in the field of accounting and has at least eight years of experience in the relevant field can apply for KHT registration from the government according to the procedure prescribed by the board or according to accounting Audit Board of Ethiopia Proclamation No. 332/2014.

2.2.6.6. Professional Ethics

As per International Ethics Standards Board for Accountants (IESBA), professional accountant is required to comply with the following fundamental principles

2.2.6.6.1. Integrity

In all professional and corporate relationships, a professional accountant should be straightforward and honest.

2.2.6.6.2. Professional Competence

A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques.

2.2.6.6.3. Confidentiality

A professional accountant should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose.

2.2.6.6.4. Professional Behavior

A professional accountant should comply with relevant laws and regulations and should avoid any action that discredits the profession. As stated above, IESBA parts B and C of the code of ethics of professional accountants deal with the conceptual framework of the code of ethics of professionals. The next section will deal with how professional accountants can identify the treat and safeguards that can be faced during their audit engagement. (IESBA, 2013).

2.2.6.6.5. Threats to the basic principles of professional ethics and independence

Objectives are the wide range of conditions, situations, and relationships that exist between the auditor and clients, which can affect the fundamental principles of the ethical rules of the auditor. (IESBA, 2013) If the auditor identifies threats to compliance with the fundamental principles, the auditor should evaluate these threats and determine that they are not at an acceptable level and that appropriate safeguards are in place and can be implemented to eliminate or reduce the threats to an acceptable level. Level IESBA stated that any type of medical source can fall into one of the following categories

2.2.6.6.5.1. Self-Interest Threat

If the auditor is financially dependent on the auditor's client or if the auditor or a person close to him has a financial or other interest in the auditor's client. Also, the auditor depends on the company's management for re-election as an auditor (Ethiopia, 2014).

2.2.6.6.5.2. Advocacy Threat

The threat states that a professional accountant will promote a clients or employers position to the point that the professional accountant's objectivity is compromised.

2.2.6.7. Training and knowledge

Because auditing practice is constantly changing, periodic training is necessary to keep auditors abreast of current practices. In general, auditors, especially in less developed countries like Ethiopia, tend to be unaffected by existing regulations. This results in poor performance and sometimes has the same effect as malicious intent. (Al-Khaddash,2013). Government agencies and audit firms offer training at universities in most countries to combat this. Again, AABE is responsible for implementing these activities in Ethiopia and providing these services.

2.2.6.8. Firm structure

As firms sign contracts with clients and conduct audits, much of the practical implementation falls on their shoulders (Suwaidan, 2010). A company with a strict control system can have a positive practice even if the above two factors are absent; while the counter company will definitely have a negative impact on the industry. Most firms, including those operating in Ethiopia, generally do not allow audit reports to be prepared without a partner's signature, allowing the partner to verify that everything is in order before deploying the report. Some larger companies have entire departments that monitor the accuracy of audit reports. According to ACCA Audit and Assurance, the audit committee should consist of three non-executive members and be independent of the company's managers, and internal auditors should report to the audit committee, which helps prevent and limit fraud.

2.2.6.9. Market structure

On the other hand, while the market structure may not affect audit practices, it actually has a significant effect if the audit market is a monopoly, oligopoly, monopsony, or other market structure that is likely to adversely affect practices where firms become incompetent or do so, the customer wants in both cases; the practice has a negative effect. But in a competitive market, the battle for market share leads to more professional and compliant companies, even if regulation is not as well enforced.

2.3. Empirical Review

The practice of external audit belongs to the students and practitioners of the department. To understand these claims, the researcher cited the following empirical evidence based on their relevance to this study. (C Akpotu, 2013): In this paper, the author seeks to understand the possible relationship between

unethical practices of foreign auditors and corporate failures in their home country, Nigeria. Assuming a connection between the above factors, the author found that concealing fraud, colluding with management, and witnessing false and unfair accounts lead to disastrous results, and these behaviors seem to have been reinforced in government agencies. The author believes that the lack of regulation has led to this harmful practice.

(Gilo, 2010): In a study on external audit practice in Ethiopia, the author of the writer tries to focus on independent auditors in Ethiopia and their problems. He outlines more than a dozen problems facing contemporary independent auditors operating in Ethiopia, starting with the legal status of such professionals, some of which include the country's lack of guidelines for auditing NGOs. the commercial code used in the country dates back to the 1960s and the fact that the Ethiopian Professional Association of Accountants and Auditors (EPAAA) is not legal in the country and is not part of an international group. Apart from the aforementioned legal problems, the important fact is that the country does not have its own auditor certification process and According to the author, the fact that the number of accountants and auditors is low relative to the economy has seriously hindered the growth of the profession.

(Alim, 2007): Using empirical evidence, the author tries to interpret the importance of independence in auditing and how the difference between application and observation influenced revision during the study period. It describes common issues that an auditor may encounter in their work that may affect their independence. These include self-interest, self-confidence, lobbying, familiarity and intimidation. The work reveals that, as is generally agreed, independence is of utmost importance for any auditor, and bad human behavior damages the practice like a hole.

Alim M. T. (2014), a recent proposal for a study could focus on the evolving dynamics of auditor independence and communication between internal auditors, audit committees, and external auditors in developing countries, with a specific emphasis on Ethiopia. The proposed study would aim to investigate how these relationships have evolved over the past five years and their impact on audit quality and perception in private audit firms in Ethiopia.

2.4. Summary and knowledge gaps

While the aforementioned empirical reviews attempt to present their findings in accordance with their respective fields of study, this inevitably implies that the observations made in one country must also apply to other countries, as every nation has its own unique political climate, cultural background, and economic circumstances. According to research conducted in Ethiopia, some studies attempt to understand the function and responsibility of the auditor from audit practice, which does concern the auditors' abilities and auditing practice, while other studies solely look at it from an impartial standpoint. This study makes an effort to assess the audit firm's function in audit. In the context of Ethiopian private audit businesses, the literature research has yielded insightful information about the theoretical frameworks and empirical findings pertaining to audit quality. Theoretical ideas such as audit firm reputation, size, and independence, as well as their discussion, provide a basis for comprehending the variables affecting audit practice and perception. To improve our comprehension of audit quality and its influence on audit practice in Ethiopia, empirical research is still required to fill in some knowledge gaps. Future studies could focus on exploring the specific challenges faced by private audit firms in Ethiopia, the effectiveness of governmental oversight in ensuring audit quality, and the role of competition and customer satisfaction in shaping audit perceptions. By bridging these gaps in the existing literature, this study aims to contribute to the body of knowledge on external audit perception in private audit firms operating in Ethiopia and provide practical implications for improving audit practice in the region.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODS

3.1. Introduction

This research is a descriptive paper, but it also uses many statistical elements to clearly highlight the study conclusions. The reason for choosing a descriptive approach is to identify and accurately collect information related to audit practice in Addis Ababa and to explore the practical obstacles of a conflict of interest between the owner and the principal. I.e. shareholders and principals, lack of training and knowledge and controls. The behavior of external auditors from the private sector involved in the audit process assesses their opinions on how they perceive and apply the audit techniques presented.

3.2. Research Design

Data will be gathered for the study using a qualitative research design via questionnaires, interviews, and document analysis from ERCA and private audit companies. The setting up of settings for data collecting and analysis in a research design seeks to balance process efficiency and research relevance. The conceptual framework that guides research is known as research design. It includes a strategy for data collecting, measurement, and analysis as well as a summary of the researcher's activities, from formulating the hypothesis and taking action through to doing the final data analysis (Kothari C. R., 2019). Research design is ongoing, implying that several strategies are anticipated to address a research problem, delivery point, question, timeline, and financial constraints. The method of descriptive research design will use in this study because the purpose of the study is to evaluate the aspects of audit practice related to the behavior of private external audit firms based on the formulation of research questions.

3.3. Research Approach

According to (Garg, 2019) states that the audit procedure was evaluated by the researcher using both quantitative and qualitative methodologies. Stated differently, integrating both qualitative and quantitative methodologies yields a more useful understanding of the subject being studied. Numerical information is known as quantitative data, and it is frequently gathered through surveys and organized interviews. Descriptive information gleaned from unstructured interviews or observation constitutes qualitative data (Taylor, 2017).

3.4. Population and Sampling

A researcher's definition of a population is a general set of interests that they are aware of. In this study, the participants are external audit firms. The questionnaire that was given to external auditors authorized by the auditing association was the most significant source of information. Additionally, the survey interviewed the Ethiopian Revenue and Customs Authority and the Auditing and Accounting Board of Ethiopia, which provided the study's primary data. Based on the information provided above, there are sections pertaining to the subject. The researcher also spoke with the staff members assigned to this study population area. As a result, our population survey is based on ethical questions collected from 118 auditors.

3.5. Sample size

In Ethiopia, the Accounting and Auditing Board (AABE, 2024) the total number of authorized private audit firms are 176. Regarding the sample size, the study Yamane (1967) quoted by Yilma Mulukun reported using a simple formula to determine the minimum sample size required at the 95% confidence level, e. 5 % point error.

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

Where:

n = the desired sample size

N = the total No. of study population size

1 = designates the probability of the event occurring

e = the level of precision (Sampling error that can be tolerated which is 5%).

$$118 = \frac{168}{1 + 168(0.05)^2}$$

Based on the above formula 118 auditors were selected for the study. According to (Cohen m, 2005), the study makes it difficult to cover all the companies under study. Therefore, the researcher used random sampling to select the Audit firm. In random sampling, each individual in the population has an equal chance of being selected, which is important for the validity of the study (Creswell, 2018). Because the purpose of the research is to draw theoretical conclusions from the research results, which are still applicable empirically in research in any other context, this random sampling is the most appropriate method.

3.6. Method of data collection

Data will be collected through semi-structured interviews with external auditors, surveys with audit firm managers, and analysis of audited financial statements submitted to ERCA. The study is conducted using a structured questionnaire for auditors. The data uses in this study include primary data. Primary data is the main source of this research by asking respondents as a tool. The questionnaire consisted of closed-ended questions are designed with a standard scale and multiple choice, some of the closed-ended questions are five-point Likert scales (Kotari2004) providing respondents with a wide range of options, with an end point of '5' indicating strongly agree with the statement, and '1' indicating strongly disagree with the statement.

3.7. Methods of data analysis

Thematic analysis will be employed to analyze qualitative data gathered from interviews and surveys, while content analysis will be used to analyze documents such as audited financial statements. The researcher analyzed the data collected through questionnaires and interviews along with qualitative and quantitative data. Therefore, the qualitative data interpretation analysis combines to search for the integration between the results. (Catherine, 2002). to analyze the collected data a Likert scale model (5-point scale) was used by the researcher to collect data through questions. After the data was entered into the SPSS software, Cronbach's Alpha analysis was performed to evaluate the reliability and consistency of the instrument. The analyzed data were described and summarized using descriptive statistical methods, particularly mean, frequency, percentage and standard deviation. Then the results of the study are presented using different tables.

3.8. 1 Reliability

One of the most common methods for testing the reliability and validity of data collected through questionnaires is the use of Cronbach's alpha coefficient. Lee Cronbach (1951) defines reliability as an attribute of an instrument used to measure consistency. Consistency indicates that an instrument has a constructed value that is used to measure it.

3.8.2. Validity

a generic term that refers to "measurement validity"(Kothari, 2004).To be a valid instrument, the survey questions must measure a dimension or construct of interest, (Bolarinwa, 2015).Factor analysis is a

statistical method used to assess construct validity. Moreover, the validity of the questionnaire was tested before the distribution of the responses a component analysis test was conducted during the analysis to determine the validity of each of the questions/statements used to arrive at the findings of the study.

3.9. Ethical Considerations

It requires gathering information from participants. At the time of distributing the questionnaire, the researcher informs the subjects about the purpose and benefits of the study and their full right to refuse or accept the participation. Respondents to the response will be kept confidential and their identities must not be revealed. Information obtained from respondents will be kept confidential. Respondent assessment is not required to mention their name in the questionnaire. In addition, the willingness of the participants in the data collection process was a prerequisite for the data. The information obtained from the participants was not used for any other purpose.

CHAPTER FOUR

4. DATA PRESENTATION AND ANALYSIS

4.1. Introduction

The previous chapter used appropriate methods to assess the audit practice of external audit firms. This chapter contains an analysis of the survey methodology and partial results of the interviews. The chapter is divided into four main parts point 4.2. General characteristics of the respondents, point 4.3. Analysis of research-related data,

To analyze the raw data collected from sample private audit firms, the researcher used SPSS 20 version which is specialized statistics program that can provide sufficient tools for analyzing the collected data and excel application of the SPSS outputs. Therefore, the quantitative data from the questionnaires was analyzed using simple descriptive statistics (mean, frequency and percentage) and presented in the form of graph and table. This enabled the researcher to make the analysis and to see the impact audit performed by them of private audit firms in audit practicing.

4.2. General Characteristics of Respondents

This section focuses on the analysis and interpretation characteristics of the overall responses collected through interviews and questionnaires. The analysis of the data is done in relation to the basic research question and the purpose of the study. The section will be categorized as 4.2.1 Demographic characteristic of Respondents; 4.2.2 Survey result on audit firms.

4.2.1. Demographic characteristic of Respondents

Table 4.1 : GENDER

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MALE	78	66.1	66.1	66.1
	FEMALE	40	33.9	33.9	100.0
	Total	118	100.0	100.0	

Source: Survey result

As shown in the above Table, There are 78 observations (66.1%) that are classified as MALE.

There are 40 observations (33.9%) that are classified as FEMALE. The total number of observations is 118, which is the sum of the frequencies. The percentages add up to 100%, indicating that all observations are accounted for. In practical terms, this table provides an overview of the distribution of gender in the dataset. We can see that there is a slightly higher proportion of males (66.1%) compared to

females (33.9%). This information can be useful for subsequent analysis, such as checking for differences in means or proportions between males and females.

Table 4.2: Education

EDU				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
DIPLOMA	12	10.2	10.2	10.2
Bachelor degree	49	41.5	41.5	51.7
CPA or ACCA	28	23.7	23.7	75.4
Master's Degree	27	22.9	22.9	98.3
Other	2	1.7	1.7	100.0
Total	118	100.0	100.0	

SPSS output from version 25

From the table 3 there are 12 observations (10.2%) that hold a DIPLOMA. There are 49 observations (41.5%) that hold a Bachelor degree. There are 28 observations (23.7%) that hold a CPA or ACCA qualification. There are 27 observations (22.9%) that hold a Master's Degree. There are 2 observations (1.7%) that have other types of education and the total number of observations is 118, which is the sum of the frequencies.

Some key observations and insights from this table: The majority of respondents (61.4%) have a Bachelor degree or higher (Bachelor degree + CPA or ACCA + Master's Degree), The proportion of respondents with a DIPLOMA or other types of education is relatively low (10.2% + 1.7% = 12.0%), There is a significant gap between those with a Bachelor degree and those with higher qualifications (Bachelor degree + Master's Degree = 76.4%), which may indicate a higher level of education among the respondents.

In terms of analysis, we can use this table to: Calculate means or proportions for different variables based on education level (e.g., income, job satisfaction, etc.). Conduct chi-squared tests or ANOVA tests to determine if there are significant differences in means or proportions between different education levels. Use clustering or segmentation techniques to group respondents based on their education level and other variables. Overall, this table provides valuable insights into the distribution of education levels among the respondents and can be used as a foundation for further analysis and modeling

Table 4.3: Experience

EXP					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	49	41.5	41.5	41.5
	6-10	29	24.6	24.6	66.1
	11-15	22	18.6	18.6	84.7
	16-20	13	11.0	11.0	95.8
	>20	5	4.2	4.2	100.0
	Total	118	100.0	100.0	

There are 49 observations (41.5%) that have 1-5 years of experience. There are 29 observations (24.6%) that have 6-10 years of experience. There are 22 observations (18.6%) that have 11-15 years of experience. There are 13 observations (11.0%) that have 16-20 years of experience. There are 5 observations (4.2%) that have more than 20 years of experience. The total number of observations is 118, which is the sum of the frequencies.

Some key observations and insights from this table: The majority of respondents (41.5%) have 1-5 years of experience, which suggests that the sample may be biased towards younger or newer professionals.

The next largest group is those with 6-10 years of experience (24.6%), which suggests that there may be a significant number of professionals who have gained some experience but are still relatively early in their careers. There is a steady decline in the number of respondents with more experience (>11 years), which suggests that there may be fewer older or more experienced professionals in the sample.

The cumulative percentage curve shows that the majority of respondents (66.1%) have 10 years or less of experience, which suggests that there may be a significant gap in terms of experience levels between those who have more than 10 years of experience and those who have less than 10 years.

Table 4.4: position

POSITION					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Junior Auditor	28	23.7	23.7	23.7
	senior auditor	45	38.1	38.1	61.9
	Audit manager	13	11.0	11.0	72.9
	Audit Director	32	27.1	27.1	100.0
	Total	118	100.0	100.0	

Survey Result from SPSS

From the table s above there are 28 observations (23.7%) that are Junior Auditors. There are 45 observations (38.1%) that are Senior Auditors. There are 13 observations (11.0%) that are Audit Managers. There are 32 observations (27.1%) that are Audit Directors. The total number of observations is 118, which is the sum of the frequencies.

The majority of respondents (61.9%) are either Senior Auditors or Audit Directors, which suggests that there may be a significant proportion of senior-level professionals in the sample. The next largest group is Junior Auditors (23.7%), which suggests that there may be a significant number of entry-level professionals in the sample. The proportion of Audit Managers (11.0%) is relatively small, which suggests that there may be fewer mid-level professionals in the sample. The cumulative percentage curve shows that almost all respondents (100.0%) are in one of the top three positions (Senior Auditor, Audit Manager, or Audit Director), which suggests that there may be a strong focus on senior-level roles in the sample.

Analysis of Data Pertaining to the Study

4.3.1. Audit service practice

Table 4.5 :Audit service practice			
Item	N	Mean	Std. Deviation
The audit fee received by the auditor's clients for the audit services provided by them does not have a significant impact on the quality.	118	3.88	.935
Audit fieldwork results may be summarized and an audit report issued without engagement sufficient seniority	118	4.24	.949
With the time interval is there a general meeting with the clients to express an opinion in accordance with the ACCA guidelines.	118	4.32	.969
Valid N (listwise)	118		

The audit fee received by the auditor's clients has no significant impact on the quality of the audit services provided. This suggests that the auditors' fees are not a significant factor in determining the

quality of their services. Mean: 3.88 (out of 5) Standard Deviation: 0.935 (relatively low), This indicates that the majority of respondents (118) agree or strongly agree that the audit fee does not impact the quality of the audit services. The standard deviation is relatively low, which suggests that there is a consistent pattern among respondents.

Item 2: Audit fieldwork results may be summarized and an audit report issued without sufficient senior involvement. This suggests that there may be a lack of senior-level oversight in the audit process.

Mean: 4.24 (out of 5), Standard Deviation: 0.949 (similar to Item 1)

This result indicates that most respondents (118) agree or strongly agree that there may be a lack of senior-level involvement in the audit process. The standard deviation is similar to Item 1, indicating that there is a consistent pattern among respondents.

There is a general meeting with clients to express an opinion in accordance with ACCA guidelines. This suggests that auditors are meeting with clients to discuss their opinions and reports, which is an important aspect of the auditing process. Mean: 4.32 (out of 5) Standard Deviation: 0.969 (slightly higher than Item 1 and 2) This result indicates that most respondents (118) agree or strongly agree that there are general meetings with clients to discuss opinions and reports. The standard deviation is slightly higher than Items 1 and 2, which may indicate some variation in the frequency or quality of these meetings.

The majority of respondents agrees or strongly agrees that the audit fee does not impact the quality of audit services. There may be concerns about the lack of senior-level involvement in the audit process.

Auditors generally meet with clients to discuss opinions and reports, which is an important aspect of the auditing process.

4.3.2. Professional ethics of auditors

Table 4.6: Professional Ethics			
Item	N	Mean	Std. Deviation
Do you agree that every professional accountant should follow the basic principles of the professional code of conduct?	118	4.19	1.023
Assume that Ethiopia private audit firms apply the ethical standards set forth by the International Ethical Standards Board for Accountants (IESBA)	118	4.44	.801
Objectivity (Are auditors free from bias?)	118	4.44	.801
Credibility (auditors are trustworthy)	118	4.18	.735
Professional competence and proper care	118	4.32	.794
Confidentiality	118	4.37	.814
Professional behavior	118	4.48	.803
An auditor has the ability to assess the level of ethical risk they face during the audit process.	118	4.44	.779
Valid N (listwise)	118		

Every professional accountant should follow the basic principles of the professional code of conduct.

Mean: 4.19 (out of 5), Standard Deviation: 1.023. This indicates that most respondents (118) agree with the statement, but there is some variation in the level of agreement (standard deviation is relatively high). The mean is slightly above the midpoint of 4, indicating that most respondents are leaning towards agreeing with the statement.

Ethiopian private audit firms apply the ethical standards set forth by the International Ethical Standards Board for Accountants (IESBA), Mean: 4.44 (out of 5) Standard Deviation: 0.801

This result indicates that most respondents (118) strongly agree with the statement. The low standard deviation suggests that there is a high level of agreement among respondents.

The following items relate to different aspects of ethical behavior, such as: Objectivity: Are auditors free from bias? Credibility: Are auditors trustworthy? Professional competence and proper care Confidentiality Professional behavior

These items all have high means (ranging from 4.18 to 4.48) and relatively low standard deviations (ranging from 0.735 to 0.814). This suggests that most respondents (118) strongly agree with these statements, indicating a high level of ethical behavior among auditors.

An auditor has the ability to assess the level of ethical risk they face during the audit process.

Mean: 4.44 (out of 5), Standard Deviation: 0.779

This result indicates that most respondents (118) strongly agree with the statement, suggesting that auditors are aware of the importance of ethical risk assessment in their work.

The majority of respondents agree that every professional accountant should follow the basic principles of the professional code of conduct, Ethiopia private audit firms are likely to apply the ethical standards set forth by IESBA, Auditors are perceived to be objective, trustworthy, competent, and confidential in their work, Ethical behavior is highly valued among auditors.

Auditors are aware of the importance of assessing ethical risk during the audit process.

4.3.3 Independence of auditors

Table 4.7 Independence of auditors

Independence of auditors			
Item	N	Mean	Std. Deviation
Do you believe that the auditor engaged in Ethiopia is independent in thought and appearance?	118	4.47	.580
Auditors do not have a financial interest in the audit client	118	4.65	.545
Auditors disclose only to management and the audit committee	118	4.58	.513
Auditors do not have a business relationship with the client	118	4.47	.580
Valid N (listwise)	118		

Do you believe that the auditor engaged in Ethiopia is independent in thought and appearance? Mean: 4.47 (out of 5), Standard Deviation: 0.580

This indicates that most respondents (118) strongly agree that the auditor in Ethiopia is independent in thought and appearance. The low standard deviation suggests that there is a high level of agreement among respondents.

Auditors do not have a financial interest in the audit client, Mean: 4.65 (out of 5), Standard Deviation: 0.545. This result indicates that most respondents (118) strongly agree that auditors do not have a financial interest in the audit client. The low standard deviation suggests that there is a high level of agreement among respondents, Auditors disclose only to management and the audit committee.

Mean: 4.58 (out of 5), Standard Deviation: 0.513

This result indicates that most respondents (118) strongly agree that auditors disclose only to management and the audit committee. The low standard deviation suggests that there is a high level of agreement among respondents. Auditors do not have a business relationship with the client.

Mean: 4.47 (out of 5), Standard Deviation: 0.580

This result indicates that most respondents (118) strongly agree that auditors do not have a business relationship with the client. The low standard deviation suggests that there is a high level of agreement among respondents.

The majority of respondents strongly agree that auditors in Ethiopia are independent in thought and appearance. There is a high level of agreement among respondents that auditors do not have a financial interest in the audit client. Auditors are perceived to disclose only to management and the audit committee, which is an important aspect of independence.

There is a high level of agreement among respondents that auditors do not have a business relationship with the client.

4.3.4. Auditors experience

Table 4.8: Experience

Experience			
Item	N	Mean	Std. Deviation
Do you think technical knowledge of audit tasks enhance auditors capability	118	4.65	.545

Do you think the number of years of auditing experience have influence in audit practice	118	4.60	.492
Frequent exposure to improve the auditor's skills.	118	4.52	.502
Valid N (listwise)	118		

Do you think technical knowledge of audit tasks enhance auditors' capability? Mean: 4.65 (out of 5)

Standard Deviation: 0.545. This indicates that most respondents (118) strongly agree that technical knowledge of audit tasks enhances auditors' capability. The low standard deviation suggests that there is a high level of agreement among respondents.

Do you think the number of years of auditing experience has an influence in audit practice?

Mean: 4.60 (out of 5). Standard Deviation: 0.492 This result indicates that most respondents (118) strongly agree that the number of years of auditing experience has an influence in audit practice. The low standard deviation suggests that there is a high level of agreement among respondents.

Frequent exposure to improve the auditor's skills. Mean: 4.52 (out of 5), Standard Deviation: 0.502

This result indicates that most respondents (118) strongly agree that frequent exposure improves the auditor's skills. The low standard deviation suggests that there is a high level of agreement among respondents.

The majority of respondents strongly agree that technical knowledge of audit tasks enhances auditors' capability. There is a high level of agreement among respondents that the number of years of auditing experience has an influence in audit practice. Auditors are perceived to benefit from frequent exposure to improve their skills. These findings suggest that there is a strong emphasis on the importance of experience and technical knowledge in auditing practice in Ethiopia. The results indicate that:

Auditors with more technical knowledge are more capable, Auditors with more experience have a greater influence in audit practice, and frequent exposure to new experiences and challenges helps auditors improve their skills.

4.3.5. Auditors Certification

Table 4.9: Certification

Certification			
Item	N	Mean	Std. Deviation
Do you think certification establish a reliable, standardizing for audit practice.	118	4.61	.490
Is competency necessary to practice proper financial statement examination	118	4.36	.515
Valid N (listwise)	118		

Do you think certification establishes a reliable, standardizing for audit practice?

Mean: 4.61 (out of 5) Standard Deviation: 0.490

This indicates that most respondents (118) strongly agree that certification establishes a reliable, standardizing for audit practice. The low standard deviation suggests that there is a high level of agreement among respondents.

Item 2: Is competency necessary to practice proper financial statement examination?

Mean: 4.36 (out of 5) Standard Deviation: 0.515

This result indicates that most respondents (118) agree that competency is necessary to practice proper financial statement examination. The standard deviation suggests that there is a moderate level of agreement among respondents.

The majority of respondents strongly agree that certification establishes a reliable, standardizing for audit practice, There is a moderate level of agreement among respondents that competency is necessary to practice proper financial statement examination, Certification is seen as a key factor in establishing a reliable and standardized audit practice in Ethiopia, Competency is recognized as important, but not as universally agreed upon as certification, in practicing proper financial statement examination.

4.3.6. The role and responsibilities of auditors

Table 4.10: Auditor's role and responsibilities

Auditor's role and responsibilities			
Item	N	Mean	Std. Deviation
Is it the auditor's responsibility to correct accounting financial statement?	118	4.32	.568

Do Private auditors are legally liable for subsequently discovery of misstated audited financial statement?	118	4.30	.575
Do you think that auditor should assess management characteristics, to determine in company financial statement?	118	4.53	.565
Do you consider that there should be an audit standard that would make auditors responsible?	118	4.65	.545
Are auditors responsible if the company goes bankrupt?	118	4.58	.513
Valid N (listwise)	118		

Mean: 4.32 (out of 5) Standard Deviation: 0.568

This indicates that most respondents (118) agree that it is the auditor's responsibility to correct accounting financial statements. However, the relatively high standard deviation suggests that there may be some variation in opinion among respondents.

Mean: 4.30 (out of 5) Standard Deviation: 0.575

This result indicates that most respondents (118) agree that private auditors are legally liable for subsequently discovery of misstated audited financial statements. The high standard deviation suggests that there may be some debate among respondents about the extent of liability.

Do you think that auditor should assess management characteristics, to determine in company financial statement? Mean: 4.53 (out of 5) Standard Deviation: 0.565

This result indicates that most respondents (118) strongly agree that auditors should assess management characteristics to determine company financial statements. The low standard deviation suggests that there is a high level of agreement among respondents.

Item 4: Do you consider that there should be an audit standard that would make auditors responsible?

Mean: 4.65 (out of 5) Standard Deviation: 0.545

This result indicates that most respondents (118) strongly agree that there should be an audit standard that makes auditors responsible. The low standard deviation suggests that there is a high level of agreement among respondents.

Item 5: Are auditors responsible if the company goes bankrupt?

Mean: 4.58 (out of 5) Standard Deviation: 0.513

This result indicates that most respondents (118) strongly agree that auditors are responsible if the company goes bankrupt. The low standard deviation suggests that there is a high level of agreement among respondents.

There is a moderate level of agreement among respondents on the auditor's responsibility to correct accounting financial statements; there is a moderate level of agreement among respondents on the liability of private auditors for misstated financial statements.

There is a high level of agreement among respondents on the importance of assessing management characteristics in determining company financial statements.

There is a high level of agreement among respondents on the need for an audit standard that makes auditors responsible.

There is a high level of agreement among respondents on the auditor's responsibility in case of company bankruptcy.

These findings suggest that: Auditors are seen as having a significant role in ensuring the accuracy and reliability of financial statements, Private auditors are expected to be liable for any misstatements in financial statements, Assessing management characteristics is considered an important aspect of auditing, There is a strong need for an audit standard that holds auditors accountable.

Auditors are seen as having a significant responsibility in cases where companies go bankrupt.

4.3.7. The constraints exist on external auditors in attempt to exercise their

Responsibility

Table 4.11: Auditor's constraints

Auditor's constraints			
Item	N	Mean	Std. Deviation
Lack of client's regular demand for audit service.	118	4.47	.580
Lack of cooperation from internal Auditors.	118	4.65	.545
Clients demand unqualified opinion	118	4.67	.472
Fear of losing client	118	4.36	.802
Poor record keeping of client's transaction.	118	4.32	.469
Valid N (listwise)	118		

The output shows the results of a survey or questionnaire administered to auditors. The table presents the means and standard deviations of the responses to several items related to auditor's constraints. Lack of client's regular demand for audit service: This item measures the extent to which clients do not regularly request audit services from auditors.

Lack of cooperation from internal Auditors: This item measures the extent to which internal auditors do not cooperate with external auditors, Clients demand unqualified opinion: This item measures the extent to which clients require an unqualified opinion from auditors.

Fear of losing client: This item measures the extent to which auditors fear losing a client due to various reasons, Poor record keeping of client's transaction: This item measures the extent to which clients' records are poorly kept, making it difficult for auditors to conduct their work.

Mean and Standard Deviation (Std. Deviation): For each item, the mean and standard deviation are presented. Mean: The mean is a measure of central tendency, representing the average response to each item. It ranges from 4.32 to 4.67, indicating that most auditors tend to agree with the statements.

Standard Deviation (Std. Deviation): The standard deviation is a measure of dispersion, indicating how spread out the responses is from the mean. A lower standard deviation (e.g., 0.469) indicates that the responses are more concentrated around the mean, while a higher standard deviation (e.g., 0.802) indicates that the responses are more dispersed. Based on this output, we can draw some conclusions

Most auditors face constraints: The means range from 4.32 to 4.67, indicating that most auditors experience these constraints to some extent.

Fear of losing client is a significant concern: The mean for "Fear of losing client" (4.36) is relatively high, indicating that auditors are concerned about losing clients.

Poor record keeping is a significant constraint: The mean for "Poor record keeping of client's transaction" (4.32) is relatively high, indicating that poor record keeping is a significant constraint for auditors. Lack of cooperation from internal Auditors is not a major concern: The mean for "Lack of cooperation from internal Auditors" (4.65) is relatively low compared to other items, indicating that auditors do not perceive this as a major constraint.

Interpretation:

This output provides valuable insights into the constraints faced by auditors in their daily practice. The results suggest that auditors are concerned about losing clients, managing poor record keeping, and dealing with other constraints. These findings can inform training programs, research initiatives, and professional development activities aimed at improving auditor performance and enhancing the quality of audit services.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This research focuses on the legal responsibility of private audit firms in audit practice. This chapter briefly presents findings, conclusions, and recommendations to help external auditors, as well as internal audit managers and senior auditors, identify audit practice and apply in accounting financial statements.

5.2 Summary

The purpose of this study is to assess the opportunities and challenges of private external auditors to in audit practice. Accordingly, this research section summarizes the main findings of the study on accounting practice, challenges and future perspectives.

Auditor's practice the researcher who refers to the auditors follows the code of ethics or professional ethics, the auditors discuss the role and responsibility of the auditors, and professional bodies on the principle of auditors' ethics and independence. The good conduct of auditors enhances public credibility and trust and enhances the assurance services provided by private auditing firms unethical behaviour results in poor audit quality, which directly affects the public's credibility and trust - in the services provided by private auditing firms.

5.2.1. Opportunities of Auditors

The research finding regarding the opportunities shows that the External auditors should be provided with continuous capacity building training to develop their knowledge of the quality audit service function so that they can fulfill their legal responsibilities and a development program should be dedicated to auditors specialized in audit quality.

5.2.2 Challenges of Auditors

The core problem is a conflict of interest between the company's owners (shareholders) and management to manage the activities of the companies whose owners are compensated for the management services provided to them and poor transaction record of client's.

5.3 Conclusion

- ✓ This study aims to assess the audit practice of private audit firms in Ethiopia in audit practicing studies were reviewed and their responses were analyzed.
- ✓ Based on this, the study confirmed that audit firms are an effective tool in solving unethical responsibility in the financial statements of the clients.
- ✓ A question has been raised as to whether private audit firms are providing their professional services to the public to maintaining their independence and evaluated the implementation of professional ethics and independence law and decided to identify the basic principles that are not met by the audit industry, the risk factors, sources and types of risks that affect non-compliance with professional ethics, and identify those that cause and harm.
- ✓ Private audit firms lead to independence from their clients, the impact of non-compliance with professional ethics on the quality of audit services provided by them, the role of negotiation in the current audit environment, regulatory and professional ethics, and finally, the expectation of the new financial reporting decree of the private audit firm.
- ✓ The results of the survey show that auditors are responsible for audit practice and audit quality service.
- ✓ This study identified the principle of auditors are legally responsible for subsequent misstatements in audited financial statements. Auditors cannot perform with overconfidence and complete lack of objectivity in the auditors, management, and employees, the auditor's lack of focus on audit quality the management's lack of a assess the accounting financial statement .
- ✓ Finally, this empirical study was conducted to investigate in depth the factors that may influence the auditor's expert performance in detecting fraud.
- ✓ The results of the survey showed that external auditors generally had positive perceptions of professional ethics assurance, practical experience, training, audit service quality and independence. When SPSS Version 20 analysis was applied to auditor expert performance external auditors, the value was a positive relationship with enhance audit practice

5.4 Recommendations

- ✓ The criteria for an applicant for an audit firm license must be competence and independence. The audit association must have qualified auditors.
- ✓ A qualification related to a specific type of certificate, a predetermined number of years of experience, and experience that ensures his independence from all charges. All audit firms, regardless of audit firm size, must be regularly and consistently audited to meet these requirements within a given time frame.
- ✓ AABE should be in a strong position to consider these requirements in the bidding process Permit. Private audit firms and AABE should pay special attention to improving the qualifications of auditors through various arrangements, such as continuing training and assisting working auditors with certification.
- ✓ The perspective of this study, which focuses on conceptual rather than mechanistic factors, paves the way for researchers to think critically and scientifically in a process where the factors influencing audit quality are fundamentally at the forefront.
- ✓ Private audit firms in Ethiopia and AABE must pay attention to factors such as independence and role and responsibility when designing their audit procedures so that shareholders have confidence in the audited financial statements.

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The audit fee received by the auditor's clients for the audit services provided by them does not have a significant impact on the quality.

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly Dis agree	5	4.2	4.2	4.2
dis agree	8	6.8	6.8	11.0
neutral	5	4.2	4.2	15.3
Agree	78	66.1	66.1	81.4
Strongly Agree	22	18.6	18.6	100.0
Total	118	100.0	100.0	

Audit fieldwork results may be summarized and an audit report issued without engagement sufficient seniority

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly Dis agree	5	4.2	4.2	4.2
dis agree	2	1.7	1.7	5.9
neutral	6	5.1	5.1	11.0
Agree	52	44.1	44.1	55.1
Strongly Agree	53	44.9	44.9	100.0

With the time interval is there a general meeting with the clients to express an opinion in accordance with the ACCA guidelines.

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly Dis agree	4	3.4	3.4	3.4
dis agree	4	3.4	3.4	6.8
neutral	6	5.1	5.1	11.9
Agree	40	33.9	33.9	45.8
Strongly Agree	64	54.2	54.2	100.0
Total	118	100.0	100.0	
Total	118	100.0	100.0	

Do you agree that every professional accountant should follow the basic principles of the professional code of conduct?

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly Dis agree	5	4.2	4.2	4.2
dis agree	5	4.2	4.2	8.5
neutral	7	5.9	5.9	14.4
Agree	46	39.0	39.0	53.4
Strongly Agree	55	46.6	46.6	100.0
Total	118	100.0	100.0	

Assume that Ethiopia private audit firms apply the ethical standards set forth by the International Ethical Standards Board for Accountants (IESBA)

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly Dis agree	2	1.7	1.7	1.7
dis agree	3	2.5	2.5	4.2
neutral	2	1.7	1.7	5.9
Agree	45	38.1	38.1	44.1
Strongly Agree	66	55.9	55.9	100.0
Total	118	100.0	100.0	

Objectivity (Are auditors free from bias?)

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly Dis agree	2	1.7	1.7	1.7
dis agree	3	2.5	2.5	4.2
neutral	2	1.7	1.7	5.9
Agree	45	38.1	38.1	44.1
Strongly Agree	66	55.9	55.9	100.0
Total	118	100.0	100.0	

An auditor has the ability to assess the level of ethical risk they face during the audit process.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
strongly Dis agree	2	1.7	1.7	1.7
dis agree	2	1.7	1.7	3.4
neutral	3	2.5	2.5	5.9
Agree	46	39.0	39.0	44.9
Strongly Agree	65	55.1	55.1	100.0
Total	118	100.0	100.0	

Credibility (auditors are trustworthy)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
strongly Dis agree	2	1.7	1.7	1.7
dis agree	3	2.5	2.5	4.2
neutral	2	1.7	1.7	5.9
Agree	76	64.4	64.4	70.3
Strongly Agree	35	29.7	29.7	100.0
Total	118	100.0	100.0	

Professional competence and proper care

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
strongly Dis agree	2	1.7	1.7	1.7
dis agree	3	2.5	2.5	4.2
neutral	3	2.5	2.5	6.8
Agree	57	48.3	48.3	55.1
Strongly Agree	53	44.9	44.9	100.0
Total	118	100.0	100.0	

Confidentiality

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
strongly Dis agree	1	.8	.8	.8
dis agree	5	4.2	4.2	5.1
neutral	4	3.4	3.4	8.5
Agree	47	39.8	39.8	48.3
Strongly Agree	61	51.7	51.7	100.0
Total	118	100.0	100.0	

Professional behavior

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
strongly Dis agree	2	1.7	1.7	1.7
dis agree	3	2.5	2.5	4.2
neutral	2	1.7	1.7	5.9
Agree	40	33.9	33.9	39.8
Strongly Agree	71	60.2	60.2	100.0
Total	118	100.0	100.0	

Auditors disclose only to management and the audit committee

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neutral	1	.8	.8	.8
	Agree	48	40.7	40.7	41.5
	Strongly Agree	69	58.5	58.5	100.0
	Total	118	100.0	100.0	

Auditors do not have a business relationship with the client

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neutral	5	4.2	4.2	4.2
	Agree	52	44.1	44.1	48.3
	Strongly Agree	61	51.7	51.7	100.0
	Total	118	100.0	100.0	

Do you think technical knowledge of audit tasks enhance auditors capability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neutral	4	3.4	3.4	3.4
	Agree	33	28.0	28.0	31.4
	Strongly Agree	81	68.6	68.6	100.0
	Total	118	100.0	100.0	

Do you think the number of years of auditing experience have influence in audit practice

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	47	39.8	39.8	39.8
	Strongly Agree	71	60.2	60.2	100.0
	Total	118	100.0	100.0	

Frequent exposure to improve the auditor's skills.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	57	48.3	48.3	48.3
	Strongly Agree	61	51.7	51.7	100.0
	Total	118	100.0	100.0	

Do you think certification establish a reliable, standardizing for audit practice.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	46	39.0	39.0	39.0
	Strongly Agree	72	61.0	61.0	100.0
	Total	118	100.0	100.0	

Is competency necessary to practice proper financial statement examination

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neutral	2	1.7	1.7	1.7
	Agree	72	61.0	61.0	62.7
	Strongly Agree	44	37.3	37.3	100.0
	Total	118	100.0	100.0	

Is it the auditor's responsibility to correct accounting financial statement?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neutral	6	5.1	5.1	5.1
	Agree	68	57.6	57.6	62.7
	Strongly Agree	44	37.3	37.3	100.0
	Total	118	100.0	100.0	

Do Private auditors are legally liable for subsequently discovery of misstated audited financial statement?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neutral	7	5.9	5.9	5.9
	Agree	69	58.5	58.5	64.4
	Strongly Agree	42	35.6	35.6	100.0
	Total	118	100.0	100.0	

Do you think that auditor should assess management characteristics, to determine in company financial statement?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neutral	4	3.4	3.4	3.4
	Agree	47	39.8	39.8	43.2
	Strongly Agree	67	56.8	56.8	100.0
	Total	118	100.0	100.0	

Do you consider that there should be an audit standard that would make auditors responsible?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neutral	4	3.4	3.4	3.4
	Agree	33	28.0	28.0	31.4
	Strongly Agree	81	68.6	68.6	100.0
	Total	118	100.0	100.0	

Are auditors responsible if the company goes bankrupt?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neutral	1	.8	.8	.8
	Agree	48	40.7	40.7	41.5
	Strongly Agree	69	58.5	58.5	100.0
	Total	118	100.0	100.0	

Lack of client's regular demand for audit service.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neutral	5	4.2	4.2	4.2
	Agree	52	44.1	44.1	48.3
	Strongly Agree	61	51.7	51.7	100.0
	Total	118	100.0	100.0	

Lack of cooperation from internal Auditors.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	neutral	4	3.4	3.4	3.4
	Agree	33	28.0	28.0	31.4
	Strongly Agree	81	68.6	68.6	100.0
	Total	118	100.0	100.0	

Clients demand unqualified opinion

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	39	33.1	33.1	33.1
Strongly Agree	79	66.9	66.9	100.0
Total	118	100.0	100.0	

Fear of losing client

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid neutral	24	20.3	20.3	20.3
Agree	27	22.9	22.9	43.2
Strongly Agree	67	56.8	56.8	100.0
Total	118	100.0	100.0	

Poor record keeping of client's transaction.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	80	67.8	67.8	67.8
Strongly Agree	38	32.2	32.2	100.0
Total	118	100.0	100.0	

Appendix 2:

Questionnaires

St. Mary University School of Post graduate studies. Questionnaire to be filled by external Auditors

Dear Respondent,

Questionnaire to Be Filled by Selected External audit firms Dear Sir/Madam: The enclosed questionnaire is designed to gather information about the “the assessment of external auditor in audit practice”. The questionnaire has been sent to all the selected audit firms which are working in this field. The information you provide in response to the questionnaire will be used as part of the data needed for the study: The determinate factors external audit firms to reduce fraud. The study is being conducted as part of the undersigned researcher’s study for the Master of Science in Accounting and Finance at St. Mary University, Department of accounting & finance. The result of the study is expected to contribute to the understanding and fight to reduced fraud their financial statement the business entity Please note that there is no need of writing your name on the questionnaire. I would like to assure you that the information you provide will be treated as strictly confidential and your participation in this study is greatly valuable. Your honest and thoughtful responses are highly appreciated. Kind Regards,

Note: This questionnaire has two sections

Section one is about demographic background **and section two** is about data directly related to the study.

Instruction: For questions with choices, please choose one which you believe is appropriate and put “X” mark in the box found in front of your choice.

Section 1: *Demographic Background*

1. Gender: ☐ Female ☐ Male

2. The educational Background

☐ Diploma ☐ Bachelor’s Degree ☐ CPA or ACCA

☐ Master’s degree ☐ PHD ☐ other _____

3. Years of work experience: ☐ 1 to 5 years ☐ 6 to 10 years ☐ 11 to 15 years

4. ☐ 16 to 20 years ☐ over 20 years

4. Your current position junior auditor_____

Section 2: *Data related to research topic*

Please put “X” mark for the rate that best represents your perspective.

SA= Strongly Agree (5) A= Agree (4) N=Neutral (3) DA= Disagree (2) SD= Strongly Disagree (1)

A: Audit service

S/N	Statements	SA	A	N	DA	SD
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1	The audit fee received by the auditor's clients for the audit services provided by them does not have a significant impact on the quality.					
2	Audit fieldwork results may be summarized and an audit report issued without engagement sufficient seniority					
3	With the time interval is there a general meeting with the clients to express an opinion in accordance with the ACCA guidelines.					

B. Professional ethics of auditor

S/ N	Statements	SA	A	N	DA	SD
1	Do you agree that every professional accountant should follow the basic principles of the professional code of conduct?					
2	Assume that Ethiopia private audit firms apply the ethical standards set forth by the International Ethical Standards Board for Accountants (IESBA)					
3	Objectivity (Are auditors free from bias?)					
4	Credibility (auditors are trustworthy)					
5	Professional competence and proper care					
6	Confidentiality					
7	Professional behavior					
8	An auditor has the ability to assess the level of ethical risk they face during the audit process.					

C. Independence of auditors

S/ N	Statements	SA	A	N	DA	SD
1	Do you believe that the auditor engaged in Ethiopia is independent in thought and appearance?					
2	Auditors do not have a financial interest in the audit client					
3	Auditors disclose only to management and the audit committee					
4	Auditors do not have a business relationship with the client					

D. Audit work Experience

S/N	Statements	SA	A	N	DA	SD
1	Do you think technical knowledge of audit tasks enhance auditors capability					
2	Do you think the number of years of auditing experience have influence in audit practice					
3	Frequent exposure to improve the auditor's skills.					

E. Certification

S/N	Statements	SA	A	N	DA	SD
1	Do you think certification establish a reliable, standardizing for audit practice.			×		
2	Is competency necessary to practice proper financial statement examination				×	

F. Role and responsibilities of auditor

S/N	Statements	SA	A	N	DA	SD
1	Is it the auditor's responsibility to correct accounting financial statement?					
2	Do Private auditors are legally liable for subsequently discovery of misstated audited financial statement?					
3	Do you think that auditor should assess management characteristics, to determine in company financial statement?					
4	Do you consider that there should be an audit standard that would make auditors responsible?					
5	Are auditors responsible if the company goes bankrupt?					

G. Constraints exist on external auditors in attempt to exercise their responsibility

S/N	Statements	SA	A	N	DA	SD
1	Lack of client's regular demand for audit service.					
2	Lack of cooperation from internal Auditors.					
3	Clients demand unqualified opinion					
4	Fear of losing client					
5	Poor record keeping of client's transaction.					