The perceived needs for audit vis-a-vis audit value in Public Sector Corporations.

Case: Monrovia-Liberia

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Abstract

To ascertain the purpose and value of audit in the public-sector corporations, this study was done to explore the needs and perception of audit value likewise to analyse the perception of stakeholders like auditees and the society on the value of the audit conducted by the external auditors in Liberia. A qualitative method was used to collect and analyse the empirical data used in this study. The findings of this study have proven that the need of audit in the public-sector corporations is for accountability and transparency but mainly for legitimacy as government must work along with other stakeholders like public entities to respond to the needs of its citizen. Furthermore, this studying has proven that, indeed audit can add value in the public sectors. In Liberia, the audit conducted by GAC is of great value to all stakeholder as auditors are identifying and reporting on the exact performance of the resource allocation and program implemented in the public corporations.

Keywords: Public sector auditing, Stakeholders’ perception, Audit value/quality
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Chapter 1: Introduction

In this part of the work, is the background of the topic with a brief discussion on the subject matter in relation to some literatures. The background is mainly about the need for audit in the public-sector corporations. And the perception of stakeholders especially the auditees and the society on the audit value. Moreover, it comprises the problematisation, the research aim, the research question and the limitation of the work. It ends with the disposition of this work. Literatures relating to audit value has simultaneously use the word audit quality and audit value. In this study both words will be considered for audit value.

1.1 Background

It is established that government should be accountable for the resources that are provided by the society through the payment of taxes; and the need for transparency and accountability on how these resources are used is required through an audited financial report (Lonsdale, Wilkins & Ling, 2011; Goodson, Mory & Lapointe, 2012; Johnsen, Meklin, Oulasvirta & Vakkuri, 2001; Modlin, 2016). In the public sectors, auditing is considered as a foundation to good management. It is perceived to provide unbiased, objective evaluation on the public resources management, and help public sector corporations to realise accountability, likewise to improve on their duties, and support the citizens confidence and other stakeholders about how public funds are utilised (Goodson et. al., 2012). Audit activities in the public-sector corporations has contributed to the growth of an audit society (Reichborn-Kjennerud, 2013) which can ultimately be viewed as an outcome of a New Public Management (NPM) that consist of the triple bottom line that are economy, efficiency, and effectiveness (Bawole & Ibrahim, 2016; Belfiore, 2004).

New Public Management has increased entrustment on the use of audit and control mechanism usually applied by auditors in conducting Performance Audit (Lonsdale, Wilkins & Ling, 2011) that is mostly refers to as Value for Money (VFM) auditing (Johnsen, Meklin, Oulasvirta & Vakkuri, 2001). And Value for Money auditing is defined as the assessment of how government policies, programmes and institutions are managed efficiently and effectively (Pollitt et al. 1999, in Lonsdale et al. 2011). This has been a legal mandate from institutions like the Supreme Audit Institutions (SAIs), (Arthur, et. al. 2012) to the public-sector corporations. Auditors apply their professional skills on audit and control mechanism in
conducting performance audit, compliance audits and financial audit ((Raudla, 2016; Hay & Cordery, 2018, Bawole & Ibrahim, 2016). And their duty involves vigorous analyses and attesting on the accuracy of accounting information, henceforth recommend solution for sound decisions making in the audited corporations. In line with this, Elder, Lowensohn, & Reck (2015), explore that an audit agreement for a desired level of audit quality is determined through the identity of the auditing firm and that credibility depends on auditors’ ability to appear as professional and independent, to enable them to express a fair judgement in their opinion that will lead to a valuable audit work.

Consequently, the audit environment is calling for more audit quality where auditors should contribute to the improvement of the performance of the audited corporations, example can be in Norway and Finland (Johnsen et al., 2004). Hence, the purpose of public sector audit is to help the public sectors entities to perform their responsibilities that entails resource allocation in an accountable and transparent way and to aid in their jobs be done effectively, efficiently, economically, and ethically with a more focus on the programs implemented (Goodson, Mory & Lapointe, 2012). In line with this, auditors are perceived paying less attention on their ‘‘independency’’, that can be related to a deviation of Organizational Independence theory, which is to conduct work without interference by the entity being audited and ‘‘objective’’ where they will be perceived to have impartial attitudes and avoiding any conflict of interest (Goodson, Mory & Lapointe, 2012). Regarding such a development, the author of this study defines audit value as the degree to which the audit report confirms the fair judgement on the efficiency and effectiveness of resource allocation and the attestation on a credible accounting information showing a judgement on programs implemented with recommendation made for improvement.

Hay et al. (2016) explore that valued about the audit is important at the stage of audit planning, to ensure that the audit provides value to the stakeholders. And the consequence of how valuable or useful the audit report might be, is of great concern to stakeholders like the society as they provide the resources use by the public sectors. And auditees as their performance is been assessed and reflected in the Value for Money (VFM) audit report. Some of the consequences can be how balance is the audit value on both the information and the opinion (unqualify, qualified, adverse or disclaimer), (Lawson, O’Hara, & Spencer, 2017) that will be provided in the audit report relate to ‘‘legal jurisdictions’’ (Francis, Michas, & Seavey, 2013).
Additionally, audit value can be considered as the extent to which the audit report shows the fair judgement on the activities or programs implemented by public-sector corporations are in line with the intended purpose (Blank et al., 2009). Value in the sense that, the audit report will have the ability to provide some assurance of how credible the accounting information provided by these corporations is related to the efficiency of resource allocation (DeFond, & Zhang, 2014). As a result, the expectation gap which is the differences between stakeholders’ expectations and auditors’ opinion on their responsibilities, performance and work (Duréndez Gómez-Guillamón, 2003), become a great concern to the stakeholders including auditees having the perception that the audit work will be done according to their anticipation (Arthur, Rydland and Amundsen, 2012). In general, perception can be refers to as a belief, feelings or opinion held by people on how things seem to be or been done. In relation to this, stakeholders like auditees and the society may have diverged perception on how audit work should be done that can result to an audit being valuable to them. Consequently, public sectors corporations may perceive audit to be of great value in supporting their trustworthiness to the public (Hay & Cordery, 2018) Hence, the notion of the need and perceived audit value in public sector corporations is the vital focus of this studies.

1.2 Auditing in the Public-Sector Corporations in Monrovia-Liberia

In Liberia-Monrovia, the General Auditing Commission (GAC) is responsible for auditing and giving a fair presentation of the Consolidated Financial Statements of all public corporations. The audit comprises the Statements of Receipts and Payments. This mandate is from the government of Liberia and it is in line with the Public Financial Management Act and Regulations of 2009. It is also in line with the International Public-Sector Accounting Standards cash basis of Accounting. GAC function is required by Section 2.1.3 of the New GAC Act of 2014, (GAC Annual Report 2016).

GAC is also responsible to carryout performance audit of all the public corporation’s records that should be prepared according to the terms of local agreement and stated laws and regulations. The audit is conducted to understand the management of public corporations who have the responsibilities to establish and maintain internal controls needed to carry out their duties in an effective and efficient way. The public corporations are to establish an internal control that will enable them to undertake their contracts award, goods delivery, projects execution, evaluation and reporting in an effective and efficient manner. And, to prepare documentation on the procurement and implement projects that are free from material
misstatements, fraud or error and in compliance with rules that govern their duties. The audit is to provide reasonable assurance that adopted policies and prescribed procedures are adhered to. And errors and irregularities, including fraud and illegal acts are detected. GAC should conduct the governmental audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), Fundamental Auditing Principles (FAP) and Guidelines for Compliance Audit (GCA). These principles require that audit should be done with ethical requirements. GAC report to the house of senate and they are to convey the findings in the audit report formally to the authorities of the Ministries audited for the implantation of recommendations in the audit report (GAC Annual Report, 2016)

1.3 Problematisation, Purpose and Limitation

Researchers of public sector auditing have view this part of the studies as an area that has not been sufficiently investigated (Hay & Cordery, 2018), reason being that researchers in this area has paid less attention to the problems and opportunities (like: value) that are associated with the governmental accounting (Hay & Cordery, 2018; Johnsen, Meklin, Oulasvirta & Vakkuri, 2001) not until now that the topic has grown to the public interest. And even the few literatures on governmental accounting especially auditing are mostly done with less theoretically background, with few (for example: Blank, el al, 2009; Bawole & Ibrahim 2016; Arthur et al. 2012) considering theories like agency theory and institutional theory (Hay & Cordery, 2018). In relation to this, Jacobs’ (2012; 2016) studies demand and emphasize the necessity for more theoretical background in public sector auditing researcher. This means that literatures on public sector auditing should be done based on theories that are consistent and relevant to the subject matter. In this direction, this study has been done base on theories from accountings literatures in general but are relevant to the topic.

Consequently, academicians have focused their studies on the role and tasks of the audits (Raudla et al 2016) and have found out diverge perception of auditor’s responsibilities (Goodson et al., 2012). Society perceived auditors to be independence of the audited corporation, that is, auditors are not to be actively involved in the auditees activities to avoid compromising their judgement on accessing the efficiency and effectiveness of the audited corporation which may result to a valuable audit done (Reichborn-Kjennerud & Johnsen,2011). On the contrary, auditees perceived an audit to be value if auditors can be flexible and allow a friendly communication during the audit process likewise report on their credibility ((Hay & Cordery, 2018). Furthermore, auditors are expected to contribute to the improvement of the
performance of the audited corporations and that public-sector auditing is meant to help public sector entities to perform their obligations in an accountable and transparent way (Goodson et al., 2012). As Isaac (2000), posit that in the later days, public services were unproductive, and it was a channel leading to the poor “wealth-producing” in developing world. This means that the responsibilities of auditors may be perceived to involve monitoring and aiding as well as assessing efficiency and effectiveness and recommending solutions for improvement in the public corporations for the benefit of the society. With such complicative perceptions on auditors’ responsibilities it will be relevant to conduct a research on how audit is done to add value and for the benefit of the society in the developing world.

Additionally, Bawole & Ibrahim (2016), lament that public sectors are bound to show account of their stewardship. While Belfiore, (2004) state that public sectors are to justifying public spending to those that provide the resources. This means that audit has been seen by governments as an answer to the problems especially those associated with the use of the public money and the monitoring of public sector performance (Lonsdale et al. 2011). As Isaac (2000), state that the management of public corporations were of low quality because of centralisation in the developing world. Based on this, one can argue that auditing can be regarded as a “cornerstone” for public sectors to provide a fair and objective assessments on public resources and how the resources are managed in a responsible, efficient and effective way to achieve intended results (Goodson et al., 2012). With these claims by scholars it is relevant to ascertain the purpose of audit in the public sectors especially in the developing world by conducting a research on the need for audit in public corporations.

Furthermore, Johnsen et al., (2001), comment that many audit practices have increased changes in public sector management in relation to quality performance, governance and accountability. This means that the audit in the public corporations has help the performance of the corporations to improve on their duties, likewise to improve on their management control systems. Johnsen et al., (2001), argue that the value of audits is rarely documented and debated although the audit role is to assess and verify the performance of the audited organisations and to recommend improvement in the audited corporation. They concluded that audit value seems to be above empirical knowledge about its effects in the task of continuous “programmatic affirmation of it potential,’’ and that performance auditing is perceived to be more complex and ambiguous but probably important and valued in the public-sector corporations. Besides Lowensohn et al. (2007) lament that audit quality/value has always be associated with audit firms’ attributes like the firm size, firm reputation and the premium fees. In this regard, it can
be recognised that there is no consensus on what bases an audit can be team or perceived as value but rather to undertake more researches on how an audit can be value to stakeholders of different cabal. In view of this, the author of this study has deemed it necessary to investigate what stakeholders like the society and auditees perceived as audit value in public-sector corporations.

Also, DeFord & Zhang (2014) state that audit is valued as it provides independent assurance of the credibility of accounting information, recommend improvement on resource allocation and increasing proficiency in the public sectors. They argue that the increasing volume of business transactions and accounting standards have resulted to auditing potential to add value. This can be in relation to the New Public Management that consist of the triple bottom line that are economy, efficiency, and effectiveness which is a legal mandate from institutions like the Supreme Audit Institutions (SAIs) to the public-sector corporations. They comment that audit quality/value is an assurance of quality financial reporting which should be from both the auditors’ capability of doing his job professionally that may entail independency and objectivity; along with the “innate characteristics and financial reporting system” of the audited corporation. Notwithstanding, Goodson et al. (2012) argue that public sector audit is intended to aid the public entities to perform their responsibilities well and to help in their jobs done effectively, efficiently, economically, and ethically. This means that audit conducted in public sectors is not for detecting errors but rather aid in correcting the errors for improvement. It also means that the audit process should involve intensive communication between the auditors and auditees, hence auditors compromising their independency. Notwithstanding, Raudla et al. (2016), posit that the audit process or practices in which the perceived aptitude of the auditors’ openness to dialogue with the auditees, can affect the perceived usefulness/value of the audit report. Regarding these studies of different school of thought on the value of audit, it will be of great important to ascertain the perceived value of audit in public sectors.

To summaries, most of the above studies and investigations with claims on audit value from the various researchers have been done in the developed world, although there are some researches done on the perceived audit value in the developing world, it is prudent to investigate how audit is perceived to be valued in public sectors corporations in one of the West African countries where corruption is perceived to be inherited. Hence, this study will contribute to the studies that have been done on the perceived audit value in the developing world, relating to the below purpose and research question.
1.4 Research Purpose

To ascertain the value of audit in the public-sector corporations, the purpose of this study is to explore and analyse the need for audit and the perception of stakeholders like auditees and the society on the value of the audit conducted by the external auditors in the public-sector corporations.

1.5 Research Question

What are the needs and perceived audits value in the public-sector corporations?

1.6 Limitation

The limitation of this study is more of time insufficiency and financial constrain that cannot permit the research to be extended to other public sectors out of the region of Monrovia which is the capital city of Liberia. Also, that information from society was not collected by reaching out in the society, rather auditees were asked for their opinion on what the society might perceived to be the value of the audit done on their performance. Thus, the study focused only on three public-sector corporations that were easily assessable and were easily reached in the region of Monrovia-Liberia.

1.7 Disposition

This work consists of six chapters that show how the study is being structured. The below diagrammatical construction displays the layout of the Thesis (see Figure 1).
In the above Figure, chapter one is the introduction with a brief discussion on the topic with the problematisation, the purpose of the study, the limitation and the disposition. This chapter is intended to influence the interest of the reader regarding the topic. The next is chapter two where relevant literatures and theories relating to the subject are outline. The literatures and theories are envisioned to aid the readers understand previous ideas intended to explain the general principles and concepts on the topic over-all. Down is chapter three, in which the methodology aspect of the study that explains the approach and the technique undertaken in conducting this study are presented. Thus, using a qualitative technique, the study investigates the need and the perceived audit value in public sector corporations. And the next is chapter four in which the empirical data collected in the interview process is accessible. Further down is Chapter five where the analysis of the empirical data in relation to theories and concepts regarding the case study can be seen. Adjacent is chapter six that contains the concluding part with the main ideas on the case study. This part also contains the recommendation and the implications of the study.
Chapter 2: Literature review

This section consists of some theories and concepts that are pertinent to the topic. These theories are outline and discuss in relation to the topic under review. To beginning, is a brief discussion on the public-sector auditing in the developing world. Theories that shows the need for audit in the public sectors are dealt with. Then followed theory relating to the value of audit to public sectors in relation to scholars’ arguments on public sector audit.

2.1 Public Sector Auditing in Developing Economy

According to Isaac (2000), in the later days, public services were “non-productive” and it was a channel leading to the poor “wealth-producing” in developing world. The delivery of public services was centralised based on decisions made with extreme power from authorities in the government. Isaac (2000), argue that the centralised decision making led to accountability difficult to achieved in the public corporations of the developing world. And that employees of public corporations were to adhere to an objectionable decisions and mishandling of performance and resources allocations at the detriment of the public service quality those days. Also, the management of public corporations were of low quality because of centralisation in the developing world. Based on this, the public services in developing world were trenches on the wealth-producing of their economy, (Isaac 2000).

Notwithstanding, the New public management (NPM) has brought about changes in the public-sector corporations around the globe of which developing world have no option but to implement regulation regarding the NPM (Isaac 2000). There by, decentralising authority and modernising the delivery public service. And the New Public Management (NPM) that consist of the triple bottom line that are economy, efficiency, and effectiveness (Bawole & Ibrahim, 2016; Belfiore, 2004), has increased entrustment on the use of audit and control mechanism usually applied by auditors in conducting Performance Audit (Lonsdale, Wilkins & Ling, 2011) that is mostly refers to as Value for Money (VFM) auditing (Johnsen, Meklin, Oulasvirta & Vakkuri, 2001).

2.2 The need for Audit in Public Sectors

Auditing is regard as a “cornerstone” for public sectors providing a fair and objective assessments of whether public resources are managed in a responsible, efficient and effective way to achieve intended results (Goodson et al., 2012). Results that can be to the satisfaction
of the society. One of the theories used in showing the need for public-sector accounting is the ‘‘accountability paradox” that entails transparency in the political setting (Bawole, & Ibrahim 2016; Sharman 2001; Goodson et. al., 2012). This theory has been extensively used to discuss the importance of performance audits in the public-sector accounting. And according to literatures the need for audit in the public corporations can be triggered by factors that may include accountability and transparency, legitimacy and mostly for political computation. See figure 2 below.

2.2.1 Accountability and Transparency

According to Goodson, et al., (2012) accountability is referring to as “a process where public sector employees are responsible for their decisions and actions, with their stewardship of public funds and all aspects of their performance including submitting themselves to appropriate external scrutiny;’’ And transparency is the openness of a public-sector entities to their constituents (Goodson et al., 2012). Conferring to Bawole & Ibrahim (2016), public sectors are bound to show account of their stewardship. While (Belfiore, 2004) lament that public sectors are to justify public spending to those that provide the resources. Thus, audit has been seen by governments as an answer to the problems especially those associated with the use of the public money and the monitoring of public sector performance (Lonsdale et al. 2011). Problems like potential wasteful spending on personal issues and spending on programmes that involves discretionary activities is curtail (Lonsdale et al. 2011). Reason being that the public-sector performance and the value for money spent is of great concern to stakeholders hence government being under the pressure (Raudla et al., 2016; Belfiore, 2004) to focus on securing value for money for public spending and paying more attention to the way public service are delivered (Goodson et al., 2012).

The above actions taking by the government can also be a way to improve the duties of the public-sector corporations and to extend the information to the public which will enhance accountability and transparency that may lead to the citizens’ satisfaction (Lonsdale, et al. 2011). And Reichborn-Kjennerud, (2013), lament that audit activities strengthen the public sectors performance and increasing citizens’ ability to hold their public-sector entity accountable. This means that audit helps public sectors to improve on their activities in a way that can be satisfactory to the citizens.
2.2.2 Legitimacy

Referring to Reichborn-Kjennerud & Johnsen, (2011), it is well known that government does not work along but “co-produce” with other stakeholders like public corporations in the society to cater to the needs of its citizens, and for legitimacy the corporation have the obligation to implement activities decided by central government posing special regulations. However, in this later days where governance arrangements have become a “complex, multi-party” common in the public-sector arrangements, has led to their accountability less clear, nevertheless, the performance and legitimate outcomes of the people in charge of public funds need to be monitored and assessed (Reichborn-Kjennerud & Johnsen, 2011) through an audit report.

2.2.3 Political Competition

Blank et al. (2007), refer to political competition as a situation where competing parties have the tendency of creating an environment of conflict and distrust. They argue that the reason for creating such an environment is to make a visible option of public management to the citizens, interest groups, and mass media. And such environment will increase the need for audits, for the ruling party to justify the doubt created by the political conflict (Blank et al. 2007). And Lonsdale et al. (2011) lament that the release of audit report changes the political dynamics of a situation in a way that may lead to a significant improvement in performance, as better decisions will be taken by the authorities governing over the programmes.

Furthermore, Blank et al. (2009), lament that the model for the organisation and the audit market was initially structures for public corporations but recently it has been directed to the domain of government for political competition. And according to Tagesson, Glinatsi, & Prahl (2015), monitoring among political activist is high when political competition is stronger as the majority will want to show to the voters that they are more responsible and transparent. Thus, protecting their reputation to the public on how credible and transparent their performance is, on the public expenditure and their resources allocation for public service, there by showing their performance and credibility with an audit report (Hay & Cordery, 2018).

To summarise, the need for an audit in public sector corporations can be trigger by three main factors like accountability and transparency, legitimacy, and political computation. See figure 2: below. The first factor in the below figure is accountability and transparency which are the centre core for public corporations to perform well in the society as they may be held liable for their performance (Lonsdale et al., 2011). Additionally, for legitimacy, public organizations
have the obligation to implement activities decided by centre government posing special regulations such as statutory auditing (Reichborn-Kjennerud & Johnsen, 2011). Also, for political competition the ruling party may want to show to the society that they are more effective to manage public funds than others by showing their performance and credibility with an audit report (Tagesson, Glinatsi, & Prahl, 2015). This may be done with the intention for another re-election.

**Figure 4: Factors that Triggers Public Sector Audit**

![Diagram showing factors that trigger public sector audit](chart.png)

**Source:** own construction

### 2.3. The Perception on the Audit value in the Public Sector

Relating to public sector auditing, Alwardat, et al. (2015) postulate that the Value for Money audit is perceived as an important potential means to improve performance in the public sector. And that performance auditing which is perceived to be more complex and ambiguous is possibly important in the public-sector corporations although performance is more difficult to verify in the public corporations (Lonsdale, et.al. 2011). Consequently, academicians have focused their studies on the role and tasks of the audits (Raudla et al 2016) and have found out diverge perception of auditor’s responsibilities (Goodson et al., 2012). Society perceived auditors to be independence of the audited corporation, that is, auditors are not to be actively involved in the auditees activities to avoid compromising their judgement on accessing the efficiency and effectiveness of the audited corporation which may result to a valuable audit done (Reichborn-Kjennerud & Johnsen,2011). And Auditees perceived an audit to be value if auditors can only report on their credibility (Hay & Cordery, 2018). Likewise, auditors are
expected to contribute to the improvement of the performance of the audited corporations and that public-sector auditing is meant to help public sector entities to perform their obligations in an accountable and transparent way and their jobs be done effectively, efficiently, economically, and ethically (Goodson et al., 2012). This means that the responsibilities of auditors may be perceived to involve monitoring and aiding as well as assessing efficiency and effectiveness and recommending solutions for improvement in the public corporations for the benefit of the society.

2.3.1 Auditees perception on Audit value

The audited corporation (auditees) can perceive performance audit useful although it may not improve performance in the organization (Raudla et al., 2016). However, Hay & Cordery, (2018) argue that one of the benefits of audit for public sectors can include “Organizational control” which can be done to increase the auditees’ credibility and improvement on their performance, Also, the auditees perception on the audit value can be on both internal and external factors (Raudla et al 2016). It can be on internal factors when auditees perceived the level of competence and expertise of the auditors to be high, which can lead to the quality of the audit being of great value (Raudla et al 2016) to them. Auditees perceived an audit to be value when they consider the auditor to have more competence and they (auditees) are given the opportunity to influence the audit process through a responsive communication that can lead to a clearer understanding of the issues rise (Raudla et al 2016), and to find an amicable solution to such issues within the organization, thus improving on the organization performance. This can be related to the auditors’ flexibility that accommodate the auditees interaction during the auditing process. As it is explored that the audit environment is changing from the old to the new (Broberg 2013).

And according to Francis, Michas, & Seavey (2013), auditees perception can also be on external factors, dealing with the participation of the members of parliament in line with “legal jurisdictions” and the social media in the discussion of the audit results. This is of paramount concern to the auditees. And they perceived that an audit result showing the level of their credibility in line with their performance is of great value ((Hay & Cordery, 2018). Furthermore, the audit report should show the level of judgement on the way public service are delivered (Goodson et al., 2012) in line with the internal control process of the public corporations (Bedard & Graham, 2014).
2.3.2 Society perception of Audit value

The society perception on audit value is in a way that the audit should provide rational assurance on the truth and fairness of the financial statements and the level of the performance of the audited corporation that can lead to public satisfaction (DeFond, & Zhang, 2014). Also, that the audit report should show the factual judgement on the activities or programs implemented by the public-sector corporations are in line with the intended purpose (Blank, 2009) for the good of the society. Furthermore, the audit report should show the true level of judgement on the way public service are delivered (Goodson, Mory & Lapointe, 2012). And that auditors should conduct their work without interference by the entity being audited and they should be objective and exhibit impartial attitudes to avoid any conflict of interest (Goodson, Mory & Lapointe, 2012).

2.4 Audit Value/Quality

In accounting literatures audit value/quality has been referred to as “the probability that an auditor will discover and report faults that could be material in the financial statements of the audited corporation” (DeAngelo 1981, found in Elder, Lowensohn, & Reck, 2015). Audit quality/value can also be considered as the degree of auditor compliance with professional standards in conducting a financial statement audit (U.S. GAO 2004). In addition to this, Lowensohn et al. (2007) lament that audit quality/value has always be associated with the audit firms’ attributes like the firm size, firm reputation and the premium fees. And Tagesson, & Eriksson, (2006), lament that specialisation and experience in line with a specific work-related activity increases effectiveness and the quality of audit. Hence, Elder et al., (2015) state that audit quality/value can be related to the degree of material findings, recommendation for improvement and the followed up made on the findings; likewise, the response of the auditees to the findings and recommendation made in the audit report. And DeFond, & Zhang, (2014) define audit quality as greater assurance of the financial reporting quality. Notwithstanding, as stated before, the purpose of public sector audit is to help the public sectors entities to perform their responsibilities that entails resource allocation in an accountable and transparent way and to aid in their jobs be done effectively, efficiently, economically, and ethically with a more focus on the programs implemented (Goodson et al., 2012).

And according to Reichborn-Kjennerud & Johnsen (2011), the value for money or performance audit is contingent upon the usefulness of its results for the users of the audit report. And the
audit value might be greater than a simple examination of ritual compliance or management practice (Pollitt, 2003), in line with this, Hay et al. (2016), lament that the benefits of public sector audit can be complicating and indirect as both the auditees and the users of the audit report tend to benefit in one way and the other.

In the public sector one of the benefits of audit can include “Organizational control” (Hay & Cordery, 2018). That is the audit report can be used to control certain issues that need corrections or improvement in the public corporations. Hence the audit providing some assurance about what is happening in the entity (Hay & Cordery, 2018).

Hay (2003) explore that decentralization in public expenditure is associated with the knowledge generated by the activities and the extent to which such activities are transfer to the rest of the public sectors. He posits that audit can be of great value to access and recommend improvement for decentralized activities. And Johnson et. al. (2001) posit that decentralisation in the public sectors is a key ingredient that can be used to assign authority in public corporations for decisions to be made on the management of financial funds and performance. They explore that the performance audit carryout by auditors are to check how the systems in the various public corporations are functioning for relevant decision to be taken which might be of great value to the public-sector corporations.

Hay et al. (2016) comment on the organisational control explanation that auditing is beneficial in helping to control large complex entities in the public sectors and that performance audits and inquiries are intended to provide information about controls to Parliament and other stakeholders by bringing issues to their attention. They argue that accessing performance in the public sectors will be more difficult without auditors accessing the financial statements and observing activities at public corporations. In such, the organizational control explanation in the public-sector auditing can be perceived to provide protection for the elected politicians and the management of public sectors from the outcome of public ridicule as they can resolve issues that may be findings in the audit report, thus having the perception that audit is of great value to them.

Consequently, an audit in the public sector can be said to be value with characteristics that include fair judgement on resource allocation and programmes implemented, credible accounting information, and recommendations that can contribute to improve. See figure 3.
2.4.1 Fair judgement on resource allocation and programs implemented

According to Lonsdale et al., (2011), the cost of renewing infrastructure, public-sector pension and implication for an ageing population and environmental issues are deriving forces for the way in which public services are delivered and these deriving forces have increased the concern about public expenditure and value for money. They urge that audit has the potential of preventing corruption and improving the efficiency and effectiveness of public sector administration by identifying and evaluating the cost of operation and services undertaken.

Furthermore, Lonsdale et al., (2011), postulate that performance audit provides the legislature and audited corporation with independent analysis, evaluation and recommendations about the performance of the audited corporations activities. They argue that a successful audit is the one that has a positive benefit on the jurisdiction of program being audited. Also, performance audit provides the level of result of governmental agency performance on programmes implemented.

2.4.2 Credible Accounting information

DeFond, & Zhang, (2014), argue that auditing is valued as it provides independent assurance of the credibility of accounting information, which may improve resource allocation and contracting efficiency. They continue to state that the complexity of business transactions and accounting standards have increased the likelihood of audit to add value and improves financial reporting quality by increasing the credibility of the financial reports. Auditors provide assurance services as an economic good and that audit quality is determined by both client demand and auditor supply, which may depend upon the incentives and competencies of the client likewise the auditor (DeFond, & Zhang, 2014). And Modlin (2016) state that, corporations financial statements are used for clarification and information purposes equally for questioning various reporting aspects in the statements. She continues that financial statements provide much information; nevertheless, certain transactions require additional information for a full disclosure of generally accepted accounting principles (GAAP) to be meet. This she argues that; such information can only be discovered through an independent audit finding.

2.4.3 Contribution for improvement

Lonsdale et al., (2011), posit that the purpose of performance audit is to aid in improving the performance of the audited corporation. They argue that performance audit is not only for
compliance with rules, but the result helps in improving the outcome of government operations and contribute to their accountability in the society. They concluded that performance audit helps government to work in a better way and to hold them accountable to their citizens. Reason being that the recommendations in the audit report serve as a tool to a positive change in the government function and the follow up made after the audit helps to ascertain the level of development achieved in line with some satisfactory progress made in the audited corporations (Lonsdale et al., 2011). And Bawole, & Ibrahim (2016), claim that performance audit is to ensure economy, efficiency and effectiveness in organizations and some of the benefits include costs reduction, better efficiency, reduction of unproductive programmes, and better accountability. They also comment that performance audit is a tool for ensuring accountability and best practice in the organizations.

Performance audit may help to induce the society trust in their government. Lonsdale et al. (2011) consider trust in the governmental setting to depend on factors like integrity, competence and transparency. They argue that citizens who trust their government believe that it will try to do the right thing and tell the complete truth to them. Although the government will make some mistakes, the society will believe that the government will learn from their mistakes and improve on their performance. And that performance audit is to guide the public-sector employees from potential problems that will undermine the public trust in them (Lonsdale et al. 2011).

According to Raudla (2016) performance audit can contribute to an extensive policy debates, provide policy advice to governments and give directions on how public administration can make some improvement in their functions. He continues to say that performance audit can contribute to learning, improvement, and change in the public corporations likewise performance audit is used as an instrument there by enhancing accountability. And Reichborn-Kjennerud, (2013), postulate that audit is a tool for providing information about how public money is spent and it contributes to the effectiveness, the efficiency and the accountability of the public sectors performance.

To summarise, in the public sector, the value for money(VFM) or performance audit is contingent upon how usefulness is the audit results to stakeholders (Reichborn-Kjennerud & Johnsen ,2011). Hence stakeholders (Auditees, Society) tend to benefit from an audit conducted on the efficiency and effectiveness of resource allocation through the implementation of the
recommendations made for improvement. Society tends to benefit when the public corporation follow the recommendation made to improve on the programme implementation for the benefit of all. Relating to the New Public Management (NPM), that consist of the triple bottom line that are economy, efficiency, and effectiveness (Bawole & Ibrahim, 2016; Belfiore, 2004), an audit in the public sector can be value with characteristics that include fair judgement on resource allocation, and programmes implemented; credible accounting information; and recommendations made that can contribute to improve performance. Notwithstanding, stakeholders have different perceptions on how an audit can be beneficial to them. See Figure 3 below.

**Figure 7: A model showing stakeholders’ perception on audit value.**

Based on the theories outline in the literatures relating to the Accountability paradox, and the Organisational control, the author of this study has constructed the above Model relating to stakeholders’ (auditees and society) perception on the value of performance audit. The key characteristic in this model is perception relating to stakeholders’ perception on audit value. Stakeholders like society and auditees have different opinion relating to how an audit can be of value to them. Another element in the model is audit value with the characteristics that are consider in relation to how an audit tends to be valued for stakeholders in the public-sector corporations.

**Source:** Own construction
Chapter 3: Methodology

This section of the work is about the methods employed to gather data necessary to accomplish the purpose of this study. The outline involves discussion of the research approach, the case selection and measurement instrument, the collection of data, the analysis process and the trustworthiness of the work.

3.1. Research Approach

According to literature, there are two main research approaches, inductive and deductive. Deductive approach is related to existing theories. Using the theories, the researcher may develop a conceptual framework and design a research strategy with the intention of analysing the data that is collected with the theories; Whereas the inductive research approach is pertinent when the theory is built from the result of the data collected (Saunders, Lewis, & Thornhill, 2009). Notwithstanding both method can be used when the dated collected in the deductive method result in the formation of a new theory which is referred to as abduction approach (Patel and Davidson, 2003). And Sandelowski (2000) refers to this method as mixed-method that increases the scope of diagnostic power of a study. As this study is based on existing theories that are used in collecting the data, the deductive research approach is used. This approach is used because according to Saunders et al., (2009) a study that uses this approach aimed around exploring or finding answers to questions that are formulated at the beginning of the study.

The author of this study has chosen the deductive approach since this approached have helped to answer the research question in line with previous literatures on the subject matter. Previous literatures have helped to confirm the reality assumption in the case study as the research is focused on the need and perceived value of audit in the public sectors. Although according to scholars, public sector auditing has not been excessively study, notwithstanding there are considerable literatures and theories on accounting in general that can be used in the public-sector auditing. This has embarked this study to achieve it purpose thus using a deductive approach.

3.1.1 Choice of Methodology

The two research methods to choose from when conducting a study are qualitative and quantitative (Saunders et al., 2009). And according to Denscombe (2009), the quantitative method usually goes with the using of numbers and diagrams to compute the data collected
while the qualitative go in line with open-end questions that can allow the participant to freely give their views on the subject matter.

For this study, the qualitative method is used. Hence, questionnaires were mailed and posted via a link on the massager accounts of the participants who are employees of three of the public corporations in Monrovia-Liberia. The public-sector corporations include Finance Ministry, Education Ministry and Ministry of Public Works. Data were collected via a link that was created and share on 11 respondents’ massager account. All the participants responded via the link on their massager account. Four respondents from the Ministry of Finance, three respondents from Education Ministry and four from the Ministry of Public Works including the procurement manager.

Information was also gather on phone interviews with one employee from the accounting department of each of the three ministries. The purpose of the phone interview was to make a follow up questions on answers that needed more clarifications. By sending the questions via a link on the massager accounts of the participant enable them to answer the questions at their convenience (Opdenakker, 2006). These enabled the author of this study to gain time and still obtain the data needed for the study.

3.1.2 Choice of theories

This study is done base on theories mostly from accountings literatures in general but are relevant to the topic. The reason for using theories from accounting literature is because most of the study relating to public sector auditing has been done with less theoretical background but accounting literature has numerous theories that are relevant to be used in public sector auditing research. Also, other studies have demanded and emphasized the necessity for more theoretical background in public sector auditing research examples are Jacobs’ (2012; 2016) studies. This means that literatures on public sector auditing need more theories that are consistent and relevant to the subject matter. In this direction, the author has deemed it necessary to use theories from both accounting and auditing literatures.

3.1.3 Critique of source

Literatures used in this study are initiated from peer-reviewed articles and other scientific articles that were retrieved from the database of Kristianstad University and Google Scholar. Most of the articles are guided by the Association of Business School (ABS). Using these articles can ensure the level of quality detected. The rating list prepared by ABS is based on
publications of journals, peer review process, and evaluation of content. ABS grade the quality of the journals with five different grades starting from 4*: for Journals considered to be of distinction, 4: for researches that are best-executed, 3: for researches that are well executed, 2: for researches that are of acceptable standards and 1: for researches that are of modest standard.

In this study, 54 scientific articles were used and 20 of the articles are from Peer Review Journals that can be said to be Journals of distinction. The remain 34 Journals can be considered of being of acceptable standards as most are from International journal of accounting likewise International journal of Auditing.

3.1.4 Time horizon

In conducting a study, time horizon can be considered on two dimensions that should be longitudinal studies and cross-sectional studies (Saunders et al., 2009). In the Longitudinal dimension studies are done within a long period, while in cross-sectional dimension studies are done in a short period of time (ibid). And the cross-sectional dimension is the mostly preferable dimension for academic researches that are done under a short time frame (ibid).

The time interval for this study is from the 23 mars, 2018 to June 4,2018. As this time is so short for carrying out the study to be conducted, the cross-section dimension has been considered appropriate to take care of the current time situation for the aim of this study to be achieved.

3.1.5 Research strategy

In carry out a research, there are six types of research designs, which include experimental research, survey research, comparative research, case study, observational research and action research. These designs can be used in an inductive or deductive approach. This study has considered a case study design, as in a case study the strategy is open and has a holistic approach and is usually used to research a phenomenon explore in a qualitative setting (Saunders et al., 2009). Also, a case study can be single or multiple. The single case study design approach is holistic while the multiple case study design has an entrenched approach. Notwithstanding both seen to have unit of analysis. This means that elements are included in a unit of analysis (ibid). In this regard, this study has used unit of elements analysed with relevant literatures.
3.1.6 Case Study

Yin (2003), laments that case studies are well-known for empirical studies that deal with real life situations. This is related to the choice of this research as this study is based on a real life situation on the need for audit and the perceived audit value in public corporations. He continues to say that case studies are helpful at reviewing existing theories that can give a detail and in-depth understanding of a phenomenon. But Vissak (2010, p. 371) argues that “Case studies do not necessarily have to rely on earlier literature or existing empirical evidence.” He clarifies that the phenomenon of a study might be less known notwithstanding, a case study approach could be suitably used to build upon some theories. Observing the case studying in this work, the phenomenon of the needs and perceived audits value in the public-sector corporations is known and the empirical studies on audit value in general is of great help to this study. Thus, this study is the combination of both previous researchers’ ideas and the ideas of the author of this work founded upon the data collected from respondents that were interviewed.

3.1.7 Data collection

In conducting this work, one research question was framed. The interview question formulation process began by finding factors that trigger the needs of audit and the perceived audit value in a public sector from previous literatures. These factors were group into categories with easy to understand questions to facilitate communication and clear understanding on the interview process. The questions were categorised into different smaller sections starting with general questions about the interviewees and then precede to questions pertinent to the study of the topic. Zikmund, Babin, Carr & Griffin (2009) argue that data can either be gathered by people or by machines. For the case of humans/people, interviews and observations are used. And in the case of machines scanner or web-based surveys are normally used Zikmund, Babin, Carr & Griffin (2009). For this study data was collected from humans/people through questionnaires and phone interview.

The data were collected via semi-structured questions (see appendix) were mailed likewise posted as a link on the massager accounts of 11 participants of the accounting section of three public corporations in Monrovia-Liberia. That is four persons from Finance Ministry, three persons from Education Ministry and four persons from Ministry of Public Works. Information was also collected via phone interview with one employee in each of the three corporations.
that are listed below in table 1. The below table shows the list of participants, their gender, their places of work and departments who took part in the interview process.

Table 1: Participants Responses via the link provided and Phone calls

<table>
<thead>
<tr>
<th>Participants</th>
<th>Gender</th>
<th>Ministry</th>
<th>Department</th>
<th>Phone Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Male</td>
<td>Finance</td>
<td>Accounting</td>
<td>-</td>
</tr>
<tr>
<td>B</td>
<td>Female</td>
<td>Finance</td>
<td>Accounting</td>
<td>Yes</td>
</tr>
<tr>
<td>C</td>
<td>Male</td>
<td>Finance</td>
<td>Accounting</td>
<td>-</td>
</tr>
<tr>
<td>D</td>
<td>Male</td>
<td>Finance</td>
<td>Accounting</td>
<td>-</td>
</tr>
<tr>
<td>E</td>
<td>Male</td>
<td>Education</td>
<td>Accounting</td>
<td>-</td>
</tr>
<tr>
<td>F</td>
<td>Female</td>
<td>Education</td>
<td>Accounting</td>
<td>Yes</td>
</tr>
<tr>
<td>G</td>
<td>Male</td>
<td>Education</td>
<td>Accounting</td>
<td>-</td>
</tr>
<tr>
<td>H</td>
<td>Male</td>
<td>Public Works</td>
<td>Purchasing</td>
<td>-</td>
</tr>
<tr>
<td>I</td>
<td>Male</td>
<td>Public Works</td>
<td>Accounting</td>
<td>-</td>
</tr>
<tr>
<td>J</td>
<td>Male</td>
<td>Public Works</td>
<td>Accounting</td>
<td>Yes</td>
</tr>
<tr>
<td>K</td>
<td>Male</td>
<td>Public Works</td>
<td>Accounting</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Own construction

3.1.8 Empirical findings analysis process

Analysing data is of a high level of creativity to present the information in a comprehensive and meaningful ways (Hoepfl, 1997). When data for this study was collected the author continued with transcribing the data into two units (Gray, 2004) that are: need for audit and audit value. Furthermore, the author of this study reduced the information collected via phone interview that discloses the elements necessary in answering the research question. This was done by summarising the data in a manner that facilitate understanding (Saunders, et al., 2009). And the transcribing process began after the recorded data was listened to several times and well understood. Then the writing down of the information gathered from the interviewees was done. In transcribing, focus was paid on information that were necessary to answer the research question (Saunders et al., 2009). Focusing on only information necessary for the research question, the process joined two steps into one: summarising and condensing. And according to Saunders et al., (2009 p.491) transcribing is a course that “involves condensing the meaning of large amounts of text into fewer words”.

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3.1.9 Trustworthiness

To certify the reliability of this study, the authors have paid more attention to the data collection process. This is because Saunders et al., (2009, p.156) posit that, the reliability of a study denotes “the extent to which the data collection approach or analysis process will generate consistent findings.” This aim of reliability is to necessitate that the results of one study will be generalised if conducted by a different researcher under the same conditions and circumstances (Yin, 2003) and produces the same result. Another word used to refer to reliability by Yin (2003) is trustworthiness. In this work the team reliability which is a synonym to trustworthiness in qualitative research is used. As for validity of this research, Saunders et al., (2009) considers it to be the extent at which the findings of a study portray what appear to be about the research purpose. Flint (1997, p. 201) defines validity as “a hierarchy of procedures to ensure that what is conclude from a study can be stated with some confidence (i.e., the conclusion is valid).” Yin (2003), refers to validity as both internal and external or generalizability of a result. Regarding this, the author can guarantee the generalizability of the result in all public corporations in Liberia, as only one entity is responsible to audit all public corporations in Liberia.

Furthermore, to ensure reliability and validity of this work the author make sure that, all the participants/ interviewees were indeed employees of public sector corporations who have once be part of an audit conducted at the corporation. And that all the interviewees are presently working in the accounting section of each of the corporations. As there are different sections in the accounting department, it is likely that the participants were randomly selected for the interview as a random sample can help to avoid what (Saunders, et al., 2009) terms participant error.

Also, the reliability and validity of this study was ensured by making sure that the same standardised questions were used throughout the interview process. The quality of an interview increases the reliability of a research (Flick, 2009). Flick (2009, p. 386) stated that “the quality of recording and documenting data becomes a central basis for assessing their reliability and that can succeed the interpretations”. Also, English language which is understood and spoken by all participants and the author of this study was used, this was done to ensure the validity of this study. As the author is conscious of the fact that the validity of a study can be influenced by both the interviewer and the interviewee error/bias which sometimes occur at the interview process (Saunders et al., 2009).
3.1.10 Ethical Condition

In getting the date needed for this study, the author communicated with the senior accountant of the Finance Ministry who help to contact the accounting departments of the other ministries. The participants who were chosen for the interview were informed about the aim of the study (Silverman et al, 2011) through a written letter sent by the author of this study (see appendix). In the letter, it is written that all personal information about the participants should be anonymous. That is all personal information collected will be dealt with according to norms and ethics. As agreed upon all personal information that has been collected from the interviewees are kept confidential and anonymous.
Chapter 4: Empirical Findings

In this chapter is the empirical data. This date was obtained from three public ministries in the capital city of Liberia known as Monrovia. The ministries include Finance Ministry, Education Ministry and Ministry of Public Works. Information was gathered on phone interviews with one employee from the accounting department of each of the three ministries. And data were collected via a link that was created and shared on 11 respondents’ massager account. Four respondents from the ministry of Finance, three from Education ministry and four from the ministry of Public Works including the procurement manager. The questions were in two folds. The first three questions were posed for asserting the need for audit in the public-sector corporations and the balance four questions were to conform the perceived audit value in the public sectors. Thus, getting the views of employees from the accounting departments of the three named ministries about what they think and what they perceived the society may think about the audit conducted by the external auditors every year in the Public corporations.

4.1. Reasons for Audit/ Finance Ministry

According to the answers obtained from the respondents, the reason for audit at Finance Ministry is mainly for accountability likewise a mandated from the government that all public-sector corporations should be audited by GAC. And that the GAC audit includes Finance Ministry among other ministries. All the respondents seem to emphasize on accountability and a mandate giving by the government. According to them, they are to give account on how the public funds entrusted to them are be spent likewise to give account of the individual responsibilities assigned to them through an audited report. Relating to the questions posed on the need for audit in the ministry for political reasons, all the respondent answered that they do not think that the audit at the ministry is for political reasons as only competent people are employed despite their political affiliation. And that people employed at the ministry are from different political parties. Also, that even the politicians who works at the ministry don’t look in audit report as politicians as they are employed on competent and not political affiliation. An example of one of the respondents working in the ministry answer is coated below:

“The reasons for audit in finance ministry is for accountability. And, the government mandated that the ministry should be audited by GAC every year. Politicians don’t care for audit report in this ministry as people are employed on competent and not political affiliation.” (Respondent C)
4.2 Reasons for Audit/ Education Ministry.

At the ministry of education, respondents tend to have diverge views on the reasons for an audit in the corporation. One of the respondents view the purpose of audit in the ministry for accountability while the other two views the reason of audit in the ministry as a mandate given by the government for all public sectors should be audited by GAC at the end of each year. As two respondents consider the need for audit as a mandate a fellow up interview was done with the respondent with diverge opinion. The result from the interview shows that the reasons for audit at the education ministry is mainly for the mandate giving by the government but also for accountability. The one respondent considered the ministry of not collecting public funds, however funds are allocated to the ministry of which they may give account of every year. Another respondent emphasis that the need for audit in the ministry is a mandate from the government but one can sense that the rationale behind the mandate may be for accountability. Below is the diverge opinion from the respondents of Education Ministry:

‘The reason for audit in this ministry is for accountability. The Chief Financial Controller and we the accountants must state how much we get from finance ministry and how much is used on salaries and other expenditures for the various public schools, colleges and Universities every year.’ (Respondent F)

‘The main reason for audit in this Ministry, Ministry of Education is for mandate as the government mandated that all governmental entities should be audited at the end of every year.’ (Respondent E)

‘This ministry does not collect money as finance ministry does. So, the audit of this ministry is mainly for governmental mandate.’ (Respondent G)

4.3 Reasons for Audit/ Ministry of Public Works.

The answer from the respondents shows that the purpose of audit at the ministry of Public Works is for accountability as they have to give account of the money that is allocated in the national budget for projects to be done by the ministry every year. Project like building bridges, constructing roads, and renovating public places. The respondents also view the purpose of audit in the ministry for political competition as other politicians will see the projects and works they do. And the society will see the need to re-elect the ruling party. Also, that the purpose of
the audit conducted by GAC is a mandated given by the government. Below are the answers from the respondents:

‘‘Audit is necessary in all of the Ministries. In this ministry, audit is for accountability as we must give account of the money we spent on every work we do. It is also for information to other political parties’ members, they can see all the work that the present government approve us to do that they do not do when they were ruling.’’ (Respondent H)

‘‘In this ministry, the reason for audit is for accountability because money is being allocated in the national budget, we received the money and allocated it to various projects. Project like constructing roads, building bridges and repairing roads. At the end of the year we give account of them to GAC that will carry out the audit.’’ (Respondent I)

‘‘To start answering these questions, the main reason for audit in this ministry is a mandate given by the government that public sectors should be audited by GAC. And it is also, for accountability.’’ (Respondent J)

4.4 Perception on Audit value/ Finance Ministry

The date collected from the respondents at Finance Ministry indicate that the respondents perceived the audit that is conducted by GAC to help improve the employees of the ministry performance and to increases the society knowledge about how the money that is collected by the ministry is allocated to the other public ministries. Although, auditors can point out all the weakness and errors in the records they review, nevertheless, the findings and recommendation in the audit report is used for decision making in the Ministry like taking control of certain bureaucracy in the ministry. The respondents also commented that the recommendations if adhered to will improve the accounting reporting system that will lead them having a credible accounting information. Notwithstanding, as auditors report directly to the House of the Representative and Senate, the perceived value of the audit is for people to be responsible of their actions as the served in the various positions. As one of the respondents commented.

‘‘My thinking about the audit conducted by GAC is that, the audit helps to improve the employees of finance ministry performance by following the recommendations. Auditors always make recommendations to curtail the bureaucracy that is involve
In dealing with the accounting system in this ministry. The audit also increases the society knowledge about how the money that the ministry collects is use as the report are posted on the internet for the public consumption.’’ (Respondent C)

In relation to the audit process or practices, all the respondents consider the audit done in a friendly way. That is, they are inform one month ahead of time for the audit to commence which can enable them to put all documents together for the auditors’ review. The respondents also lamented that it is easy to reach the auditors as the audit work is done at the ministry. Notwithstanding, there are times that the auditors seem to be traditionalists as they only request for document and report exactly on the information they get from the document rather then asking the person responsible for the documentation for clarifications during the audit process, not until when both parties, that is the auditees and the auditors meet for audit hearing. Below are quotations from two of the respondents.

‘‘The thing I like about the audit process is that it is easy to get to the audit as the audit work is done at the ministry. Sometimes they auditors can be friendly but sometime conservatives. I use this expression because they never ask people to clarify anything information they get from the document but rather report exactly what they see. They are so technical and critical in their reporting system, such a practice should be change in a way that they should ask people to clarify what they have done.’’ (Respondent B)

‘‘After the audit work, the auditors and we will meet for audit hearing. In the conference the auditor presents the findings and the people responsible will explain what they have done and what they know about the findings. This I think is not good, people should be asked when the audit work is in process not until when the report is written.’’ (Respondent D)

Regarding the direct benefit or value of audit in the public sectors, the respondents commented that the recommendations in the audit reports is used in the ministry to improve on the allocation of fund to other ministries like Health and Education. And recommendations made for the increment on money allocated to other ministries is a need to improve on their work as
their job is directly involved in dealing with the masses. Below is a comment from two of the respondents.

“‘Well, the auditors always recommend some increment on money allocated to other ministry that need to improve on their work. This I think, is to improve on the allocation of fund to other ministries like Health and Education. I appreciate this so much as these ministries are dealing with our people. And the money this ministry is using is collected from the people. At least, the people should benefit from their labour.’” (Respondent A)

Relating to the decision taken based on the audit findings, the respondents clarified that they are sometime empowered to adhered to the recommendations in the audit report through trainings and seminars held at the ministry. In this way they think that the audit conducted by GAC is of great value to them. Notwithstanding, the audit report hold people liable in legal jurisdiction for their decision take and their misappropriation of public funds. The respondents clarified that legal jurisdiction are not always take by the ruling party against the employees of their government but when the preceding government takeover it will use the GAC audit report to take legal action against the people based on the audit findings. See below the respond of one of the participants.

“‘Some of the decision taken relating to the audit findings and recommendations, is that we are empowered to adhered to our work through trainees and seminars at the ministry. The only unfortunate part of audit report is to hold the people liable for their performance when they were in the offices. The previous government did not take any action on the audit reports, but this new government has taken people to court based on the audit report.’” (Respondent C)

Relating to the respondents’ expectation of the audit report leading to the society satisfaction, all respondents are with the view that, if GAC can report only on their good performance and how trustworthy they are, can let the citizens to be satisfy with the government. And If the auditors can report on the fair judgement on the resources they allocated to other corporations, it will lead to the society satisfaction. That is the audit report should state the total amount of taxes collected and the amount allocated to all the public ministries. Also, that the society will
benefit from the audit report by knowing the amount allocated to the various ministries to have value of the service they get from the ministries. Below is a quote from one participant

‘The audit report is always put on the internet. I think if GAC can report that the Ministry employees are doing well it will support the public-sector organizations trustworthiness to the public. Also, the society will be happy with the audit report, if the auditors write the true about what is happening in the Ministries. The citizens can benefit from the audit report because the audit report show how government is allocating money to the ministries.’ (Respondent B)

4.5 Perception on audit value/ Education Ministry

The result from the interview conduct with participants at the education ministry indicate that the audit conduct by GAC every year helps to improve the accounting reporting system as GAC always recommend for more disclosure. Although, auditors report on all the weakness in the records they review however they always recommend solution to correct the weakness. With such recommendation, they respondents considered the audit valuable to them as the senior accountant always appreciate and let the recommendation be implemented. Also, that findings and recommendation in the audit report is used for decision making on the system and control on how things should be done in the Ministry.

And that the audit process or practices are done under a friendly atmosphere as the auditors are always professional while carryout the audit at the ministry. Auditors are so patients and polite in their communication when requesting for documents they needed for review. Likewise, the ministry is always informed a month ahead of the audit execution time. Notwithstanding, auditors take account of and report every little bit of error in the audited corporation record.

Also, that the audit report can draw the administration’s attention on certain important issues that need improvement. Issues like more resource allocation to the Schools, Colleges and Universities, that need to make improvement in carrying out their daily duties and improvement in the salary payment of the employees of the various schools, colleges and universities. Equally, the improvement on how the money allotted in the national budget for the ministries be use are recommended by GAC.

For decision taking against people based on the findings in the audit report, the result from the interviews indicate that the education ministry does not get enough money in the national budge as a result the ministry mostly depend on donor funds to carry out its mandate. As donors always request for documentation on how the money is spent, the ministry turned to
the auditors in helping with good reporting system. In such auditors help the ministry to perform better. As one of the respondent said:

‘‘For this Ministry, the money that the government allocated in the national budget is not enough, so the Minister and the Financial officer must always look for extra money from Non-Governmental Entities. And GAC can always help in improving the reports we are to send to the donors. With this I can say that auditors help us to perform better. But for the money the ministry receives from the national budget, auditors can report on very irrelevant error which I think is not professional.’’
(Respondent F).

With the expectation of the audit report leading to the society satisfaction, all the respondents attested that they think that the society especially the students and teachers will be satisfied when GAC report on the fair judgement or governmental fund allocated to the ministry. The respondents perceived the fund form government not enough to carry out the mandated operation of the ministry. And that the society will benefit from the recommendation by GAC that more money should be allocated in the national budget to improve the facilities of the public schools, colleges and University.

4.6 Perception on audit value/ Ministry of Public Works

According to the respondents, the audit conducted by GAC does help to improve performance in the ministry. Despite the auditors pointing out all the weakness and error in the records, they usually recommend that the ministry should curtail certain procedure involve in the implementation of projects done by the ministry. The audit that GAC conduct help to improve the internal control system at the ministry as the employees sometimes respond to the recommendations in the audit report to curtail the complicating procedures involve in the procurement system. Also, the ministry work is done physically, the society can see with their own eyes and have more knowledge about the public programmes implemented by the ministry. That will enable them to value the work done by the ministry. As one of the respondents lamented:

‘‘The audit conducted by GAC can help us to improve the accounting reporting and procurement system as they always recommend curtailing the complicating system involve in procuring material for projects. The formality in purchasing
materials can sometimes delay certain work to be done. We use the recommendation to improve on our work.’’ (Respondent I).

Also, the audit process or practices is done with dignity and respect for both parties. Auditors always communicate with the ministry, given an ample time for the ministry to compile the documents needed for review. In carryout the audit process, the auditors tend to maintain their independency as they review the documents they received with no influence from the auditees. Auditors are so traditional as they report on every bit of mistakes or error in the document. See the comment of a respondent below:

‘‘The only thing I like about GAC is that they can give enough time to compile the documents together. But they are so critical about every bit of mistakes in the document. They report on everything they see. Which is not good. We all are human, we can make mistakes.’’ (Respondent H).

The audit report can draw attention on some critical issues about the formalities of procedures involve in implementing the project work. Auditors always recommend that the process be simple to enable some quick projects and for the internal control to work well. Based the recommendations in the audit report the performance of employees, a quick project implementation and a simple procurement process is improved in the ministry.

Also, the result from that interview proved that the decision taken relating to the audit findings and recommendations, is to hold the people liable for their performance when they were in the offices. Although the previous government do not take any action on the audit reports, this new government has taken people to court based on the audit report. As a participant wrote:

‘‘I can say that the audit report draw attention to the improvement on wisely public spending. As this current government have taken many of the previous people that were working in the public organizations to court. This government is using the audit report against the previous staffs. Which is not good’’ (Respondent J).

Relating to the perception of the audit report leading to the society satisfaction, the respondents perceived that if only GAC can report and show their trustworthiness in the audit report the
citizens will be satisfy with their performance on programs and projects, they implemented. The work done by this ministry is physically seen by all stakeholders. And stakeholders will value they work if they know the worth of the projects in the audit report, will lead to everyone satisfactions. Notwithstanding, auditors always report on weakness and errors with recommendation to improve on the weaknesses and how the errors can be corrected. And if the recommendations are implemented the society will benefit from the work done the ministry.
Chapter 5: Analysis

This chapter comprise the analyses of the data collected and presented above. The findings are analysed with relevant theories relating to information gathered in line with literatures from previous researchers presented in the previous chapters.

5.1. Need for audit in the Public-Sector Corporations in Monrovia-Liberia

The empirical data obtained from respondents have agree with Goodson et al., (2012), lamenting on accountability being a process where public sector employees are responsible for their decisions and actions, and submitting themselves to appropriate external scrutiny. In this study, all public-sector corporations in the case country Liberia are to give account of their responsibilities and by law submit themselves to appropriate scrutiny by the external commission known as GAC, who should audit and present a fair judgment on the financial records and the performances of all public corporations.

This external body GAC is authorise by law to report on all deviations on standards, errors and fraud committed by the public corporations in Liberia. Based on the responses from the participants, it can be argued that the public corporations are responding to the GAC audit because of the mandated giving by the government but not for them to really give account of the resources allocated to them as most of respondents commented on their dissatisfaction with GAC being so critical in their reporting system, there by reporting on every little error of their performance. In relation to this, the main reason for audit in Liberia can be said to based on legitimacy as Reichborn-Kjennerud & Johnsen, (2011), posit that government does not work along but “co-produce” with other stakeholders like public corporations, and that the corporation have the obligation to implement activities decided by central government posing special regulations. I may say that this is the main purpose of audit in Monrovia-Liberia.

It is rather unfortunate that in Liberia, politicians are now using the audit reports of the public corporations to take formal employees to legal jurisdiction (Francis, Michas, & Seavey, 2013) in court which I consider not inline with the purpose of public corporation audit. My claim is based as Goodson et al., (2012) argument that public-sector corporations are audited to empower them perform their responsibilities in a transparent way and to aid in their jobs be done effectively, efficiently, economically, and ethically. Notwithstanding, this action can be related to what Blank et al. (2007), lament on political competition as a situation where competing parties have the tendency of creating an environment of conflict and distrust. I
emphasise that audit in Liberia is not for pollical competition as the respondents lament that people are employed based on their competence and not for their political affiliation as employees are from different political parties.

I argue that politicians are using the audit report to create conflict and distrust. This is because, according to the respondents the ruling government will not act on the audit reports until another government take over power and then use the past regime audit reports to take legal jurisdiction against formal employees in court and leaving their employees who might be doing the worst while their new regime is in power for six years. And every year GAC prepare an audit report on every public corporations. I comment that such a bias action taking by politicians is a counterpart to corruption and against what Lonsdale et al, (2011), explore that audit has the potential of preventing corruption and improving the efficiency and effectiveness of public sector administrations. I do say that the purpose of public sector audit in Liberia is mainly for legitimacy as the government should co-produce” with other stakeholders like public corporations (Reichborn-Kjennerud & Johnsen,2011).

To summarise, the findings has proven that the need for audit in the public-sectors corporations in Liberia is for accountability and transparency but mainly for legitimacy. In Liberia all public-sector corporations are to give account of their responsibilities through an audit that is conducted by the external General Auditing Commission (GAC). This commission is authorised by the government to audit and present a fair judgment on the financial records and the performances of all public corporations on yearly basis. However, because of the bias action taking by politicians on the audit report, that is taking legal action against formal employees, I argue that main purpose of audit in the public corporations in Liberia is for legitimacy as government cannot work along but should work with other stakeholders like public sectors to respond to the needs of its citizen in a country.

5.2 Perception on audit value in Liberia

It can be argued that audit can add value in the public sectors in the developing world as auditors are evaluating and presenting a fair information about the performance of public corporations in Liberia. The result from the findings indicates that the GAC auditors always point out and report on all weaknesses and errors in the records they review and recommending solution for improvement in the audited corporations. This is in line with the study by Goodson et. al., (2012), exploring that the perceived purpose of public sector audit is to provide unbiased and objective evaluation on the public resources management, and to help public sector
corporations to improve on their performance. In such, it can also be sense that, the General Auditing Commission (GAC) is involving in a vigorous analysis and attesting on the accuracy of accounting information by provide some assurance of how credible the accounting information provided by the audited corporations is in line with the project implemented. This can be related to DeFond, & Zhang, (2014) stating that audit seems to be valued when the audit report can provide some assurance of how credible the accounting information is.

It can also be said that the audit conducted by GAC in Liberia is of great value and it is done in a independent way there by providing an unbiased and objective evaluation on the public resources management. The audit is helping public sector corporations to realise accountability, likewise to improve on their duties. It supports the citizens confidence and other stakeholders about how public funds are utilised. This is a clear indication that the auditors are professional and objective, which agrees with Elder, Lowensohn, & Reck (2015), exploring that a desired level of audit quality depends on auditors’ ability to appear as professional and independent. It also in agreement with the Organizational Independence theory, that relate to auditors conducting their work without interference by the entity being audited and that auditors should be objective, where they will be perceived to have impartial attitudes and avoiding any conflict of interest (Goodson et al., 2012). GAC auditors detecting and reporting errors can also be related to literatures about audit value/quality being referred to as the probability that an auditor will discover and report faults that could be material in the financial statements of the audited corporation (DeAngelo 1981, found in Elder, Lowensohn, & Reck, 2015). However, as literature has proven that the purpose of public sector audit is not for detecting fraud but to help public corporations to improve on their performance, GAC auditors in Liberia should be conscious of their professional way of conducting the audit, although their duty is a mandate from the government notwithstanding some politicians are using the audit report in a bias way as indicated from date collected.

Moreover, the practise by GAC informing the corporations a month before the audit is to ensure that the audit provides value for the stakeholders. I reason that this notification is for the corporations to realise the necessity of the audit value which is in line with what Hay et al. (2016) explore that valued about the audit is important at the stage of audit planning, to ensure that the audit provides value to the stakeholders.

Furthermore, it can be apparent that audit is valuable for public corporation in Liberia as the results from the respondents at the various ministries proved that the audit conducted by GAC
does help to improve their performance by adhering to the recommendations. Employees implementing the recommendations in the audit report is to improve on their performance which agrees with Alwardat, et al. (2015), postulating that the Value for Money audit is perceived as an important potential means to improve performance in the public sector. Also, I preserve that in Liberia audit is of great use and help to the various corporations for improvement on their performance. My claim is based on Elder et al., (2015) statement that audit quality/value can be related to the degree of material findings, recommendation for improvement likewise, the response of the auditees to the findings and recommendation.

Consequently, the ministries using the findings and recommendations in the audit report for making decision like curtailing and controlling certain bureaucracy in the ministries as in the case of Ministry of Public Works, correspond with Hay & Cordery, (2018) exploring that one of the benefits of audit for public sectors can include Organizational control. From the responses it can be perceived that GAC audit has increase the public corporations’ credibility and improvement on their performance as they are using the report to improve on their system of control. Based on the findings, I argue that auditing in Liberia audit has become a “cornerstone” for the public sectors as it is providing a fair and objective assessments on the way the public resources are managed (Goodson et al., 2012). And that the value for money (VFM) or performance audit in Liberia is contingent upon the usefulness of the audit recommendation (Reichborn-Kjennerud & Johnsen ,2011).

As all the participants claimed that GAC audit is of value to them, based on this, I also claim that auditors at GAC are competent in their work and my argument commemorate Raudla et al (2016), study that auditees perceived an audit to be value when they consider the auditor to have more competence. However, GAC auditors being so objective means that, they (auditees) are not given the opportunity to influence the audit process when auditors are caring out the audit; thus, auditors always report on the exact performance on program implemented in the corporations. This commence with audit value be considered as the extent to which the audit report shows the fair judgement on the activities or programs implemented by public-sector corporations (Blank et al., 2009).

Respondents claiming that auditors always report on the exact performance on program implemented in the corporations is a clear indication that the expectation of the audit report leading to the society satisfaction is in place in Liberia. It can be perceived that audit seems to be value for stakeholders in Liberia, as GAC auditors in Liberia are presenting a fair
information about the performance of public corporations and recommending solutions for improvement. Indeed, the implementation of the recommendations the audit report is benefiting the stakeholders. This in line with DeFond, & Zhang, (2014), exploring that society perception on the audit value is in a way that the audit should provide rational assurance on the truth and fairness of the financial statements and the level of the performance of the audited corporations that can lead to public satisfaction.

To summarise, the audit conducted by GAC in Monrovia-Liberia is of great value to all stakeholder as auditors are always reporting on the exact performance on program implemented in the public corporations. Also, the audit report is showing a fair judgement on the activities and programs implemented likewise improving operations and given confidence to citizens about how public funds are utilised (Goodson et. al., 2012). As the audit recommendation is used to control certain issues that need corrections or improvement in the public corporations, the audit is providing assurance about what is happening in the entity (Hay & Cordery, 2018) for the society consumption and satisfaction.
Chapter 6: Conclusion

The data gathered from the interviews conducted with the case country Liberia is presented above, and analyses in relation with theories and literatures from previous researchers. This study focus is to answer the research question framed at the beginning of this work to guide in accomplishing the purpose of this study. This chapter is a summary of the answers to the research question, implications of this study and critical reflection and recommendation.

6.1. Answering the Research Question

To answer the research question, the need of audit in the public-sectors corporations in Liberia is for accountability and transparency but mainly for legitimacy. In Liberia all public-sector corporations are to give account of their responsibilities through an audit that is conducted by the external General Auditing Commission (GAC). This commission is authorised by the government to audit and present a fair judgment on the financial records and the performances of all public corporations on yearly basis. Also, the main purpose of audit in the public corporations is for legitimacy as government must work along with other stakeholders like public entities to respond to the needs its citizen.

Furthermore, this studying has proven that indeed audit can add value in the public sectors. In Liberia, the audit conducted by GAC is of great value to all stakeholder as auditors are identifying and reporting on the exact performance of the resource allocation and program implemented in the public corporations and recommending solutions for improvement on the operations of the audited corporations. The audit recommendations are used to improve the system and control in the public corporations and to improve the credibility on the financial information. The audit report is also given confidence to citizens about how public funds are utilised. Likewise, providing assurance about what is happening in the entity for the society consumption and satisfaction.

6.2 Theoretical Implication

In this study, the author conducted a careful review of existing theories on the need for audit in the public sectors and the perception of an audit being of value to stakeholders. The information obtains from the literatures together with the empirical data collected from the case country Liberia, the author of this study has contributed to existing studies by stating that: the purpose of audit in the public sector is for accountability but mainly for legitimacy. As
government must work with other stakeholders to respond to the needs of its citizen. Also, that: the perceived value of audit in the public-sector corporations is related to the degree at which the audit report confirms the fair judgement on the efficiency and effectiveness of resource allocation and the attestation on a credible accounting information showing a judgement on programs implemented with recommendation made for improvement.

6.2.1. Managerial Implications

This research has focused on investigating the need for audit in the public sectors especially in the public sectors corporation in one country of the developing world. This study will add to the few studies that have been done on the need of audit in the public sectors, likewise the perceived value of audit in the public corporations in the developing world. And also contributes to public sectors audit by identifying the main purpose of audit for public sectors corporation in the developing world specifically in the West part of Africa. Which is mainly for legitimacy as government cannot work along but co-produce with public entities to respond to the needs of its citizen. Hence public sectors are bound to show account of their stewardship through an audit report.

Thus, the study will be of benefit to both the developing and developed world. Specifically, for researcher of the public sectors auditing, lecturers of auditing and students offering auditing as a profession. This study will broaden their knowledge on the main reason for audit in the developing world precisely West Africa. It will also broaden the knowledge of everyone on how the audit process is carryout in Monrovia-Liberia and the perceived audit value in the public sectors in this country.

6.3. Critical Reflection and Future Studies

In conducting this study, it was understood that audit value seems to be above empirical facts about its effects in the task of continues assertion and that performance auditing is perceived to be more complex and ambiguous but probably important and valued in the public-sector corporations. This can be ascertained as it is not easy to know how really stakeholders may perceived audit to be value to them, as they have diverged views on how an audit can be valuable. Stakeholder like auditees perceiving audit to be value if auditors can only report on their trustworthiness. Likewise, auditees perceiving that the society will be happy if auditors can report on the fair judgement of resources allocation. Then my question is, what about the utilization of the resource allocated which may be of great interest to the society?
Consequently, even scholar cannot comprehend a consensus agreement on what bases an audit can be team or perceived as value. Rather they associated audit value with audit firms’ attributes like the firm size, firm reputation, firm identity and the audit fees. With such complicating issue on how audit tend to be value to stakeholders of different cabal I also recommend further researcher on the topic taking in to consideration research in various continents in the developing world.

Furthermore, in this study, it is explored that politicians are using the audit report against formal employee of past regime while leaving the employees of their regime untouched. To my knowledge this is a new development in the study of public sectors auditing. This may have been explored by different researchers. But I also recommend a research on this bias action taken by politicians based on audit reports.
References


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Appendix

Appendix1: Letter to Participant

Monrovia-Liberia
2018-05-18

Dear Sir/Madam!

I write to inform you that I am a student at Kristianstad University in Sweden reading Auditing at Master’s Level. I am presently at the verge of completing my course that requires a Final Thesis for my graduation. I have chosen a topic relating to the need of Audit and the Perceived Audit Value in Public Sector Corporations. And I need to get information that I can use to write the Thesis. For this reason, I am kindly asking for your permission for answering my interview questions and two or three other staff in the accounting department. Also, I would like to have an interview with you or anyone in of the accountants that have previously been audited. The interview can be done either via telephone or skype. I highly appreciate any way that you choose suitable for you.

Going by the ethics, any information that will be collected will be kept confidential and anonymous.

I am looking forward to getting a positive answer from you.

Yours Sincerely,

Augusta Gbenga.

augusta.gbenga0001@stud.hkr.se

MBA Student- Kristianstad University.

Kristianstad, Sweden

Phone #: 0728710729
Appendix 2: Interview Questions

Personal Information
Name:
Position:
Gender:
Nationality:
Corporation:
Telephone #:

Interview Questions: Need for Audit and Audit Value

1. What are some of the reasons for audit in the Public Sectors (e.g., accountability, as a mandate, for information to other parties’ members)?
Answer:

2. What do you think about the audit that is conducted by the external auditors (e.g., does it help to improve the auditees’ performance; improve the accounting reporting system in the audited organizations; to increases the society knowledge about public programmes implemented)?
Answer:

3. What are some of the things that you like about the audit process in the public sectors?
Answer:
4. Does the audit report draw attention on certain important issues that need improvement (e.g., improvement on pubic programmes; improvement on resource allocation; improvement on wisely public spending)?

Answer:

5. What are some of the decision taken relating to the audit findings and recommendations (e.g., hold the auditee liable; help the auditee to perform better)?

Answer:

6. What do you expect to be in the audit report that can lead to society satisfaction (e.g., fair judgement on programs implemented; supporting the public-sector organizations trustworthiness to the public)?

Answer:

7. What are some of the benefits that the society can get from the audit conducted in the various public sectors (e.g., satisfaction with the audit report)?

Answer: