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The Perceived Need for Audit and Audit Quality in the Public Sector: A Study of Public Corporations in Liberia

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Title

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Abstract

Audit quality plays an important role in the public sector, especially in an emerging market. However, there is no specific concept that defines and measures the term audit quality. There is a gap of conceptual framework in the public sector that explains the need for audit and the attributes of audit quality. Thus, the purpose of this study is to explore the need for audit and the attributes of audit quality perceived by middle and senior management staff in Public Corporations in Liberia. This study employs a qualitative research methodology. We collected primary data through email interviews that consisted of 8 participants from 5 different Public Corporations in Liberia. We used Thematic (Template) analysis to summarize the data collected. The findings show that auditing in Public Corporations in Liberia is needed to ensure transparency and accountability, agency/monitoring, improved internal control, and business processes, as well as confidence and assurance for stakeholders. Furthermore, middle and senior management staff perceived that auditor's independence, auditor's competence, and audit partner or manager's attention to the audit, as well as audit personnel salaries, are important attributes that influence audit quality in public corporations in Liberia. Our findings form the basis for a conceptual framework for public sector auditing in a developing country.

Keywords

The need for audit, Audit quality, Public Corporation, Liberia, Developing Country

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1. Introduction

This section gives the background of the need for audit and the attributes of audit quality in the public sector. It also provides the problematization followed by the research purpose, the research question, and the disposition of the research

1.1 Background

The quality of audit services is defined by DeAngelo (1981) as the joint probability that an auditor will detect a breach in the client's accounting records and report the breach. Discovering and reporting a material misstatement in the client's financial statements measures how an auditor is independent of a given client (DeAngelo, 1981, Stasova, 2019). Infamous corporate scandals and audit failures like those of Enron and Arthur Andersen and the emergence of the New Public Management emphasize the need for audit services and attention to factors that affect audit quality (Sulaiman, Yasin, and Muhamad, 2018, Greenwood, 2017). The quality of audit services in the public sector is key in support of the financial stability and reporting quality of public sector corporations. Audit quality is an important factor that enhances financial decision making regarding transparency and accountability in the management of public finances (Goodson, Mory, and Lapointe, 2012). The need for an audit in the public sector is rooted in the fact that audit serves as an important element in the public sector governance structure to improve the operating efficiency of public organizations (Goodson et al., 2012, 2012). This study concerns how middle and senior management staff in a developing context perceive the need for audit and understand the attributes of audit quality in public corporations. We believe middle and senior-level staff make day-to-day decisions regarding the financial and operating affairs of public corporations and are best suited to give a better understanding of audits in their organizations.

Public corporations in a democratic setting like Liberia are required and guided by laws to maintain adequate and appropriate financial and nonfinancial records. They are expected to report to stakeholders such as the legislature and taxpayers about their entity-wide operating activities with regards to the sources and uses of public funds (Greenwood, 2017, Gustavson, 2012). Making these financial information readily available to the public is essential for accountable governments to their citizens (Brusca, Caperchione, Cohen, and Manes-Rossi,

2018). On the contrary, Liberia's public sector has been characterized by rampant corruption allegations, unaccountability, and issues of non-transparency and lack of audit or audit recommendation not being implemented in public sector corporations (Lee-Jones, 2019). The country is ranked high at 137th out of 180 countries in the Corruption Perceptions index and low at 28 out of 100 in terms of transparency and accountability (Lee-Jones, 2019, Transparency International, 2019). Transparency International estimates that 53% of public service users in the country have to pay a bribe to gain access to public services. These statistics were informed partly by reports from civil society organizations such as USAID and Global Witness and other special investigative reports of corruption and unaccountability in the public sector (Lee-Jones, 2019, Transparency International, 2019). In this vein, the citizens of Liberia and donors and lenders have been demanding an audit of public sector corporations owing to media and other investigative reports of corruption (FrontPage Africa, 2018, Lee-Jones, 2019). These instances emphasize the need for audits in the public sector in Liberia. Public sector audit is needed to scrutinize the use of public funds, diagnose the potential problems, and propose recommended solutions that the legislature can use to hold the officials of public corporations accountable (Hay, Simpkins, and Cordery, 2016). Audit exposes misappropriations, fraud or misstatements, weak internal controls, and corruption in the public sector and sets the basis for legal actions in any responsible democracy.

Moreover, the need for audit in the public sector can be explained by the agency problems or the principal-agent relationship. In the public sector, the citizens who are the principals elect government officials who are the agents and expect them to perform their fiduciary duties that are most beneficial to society (Budding et al., 2015). Due to the agency problems of conflict of interest and information asymmetry, a third party called auditor is needed to monitor the agents on the principals' behalf (Budding et al., 2015, Tirole, 2006). The agents have to be accountable to the principals for the resources used and the extent to which the public objectives have been met (Goodson et al., 2012). A third-party attestation to the credibility of the financial reports or activities implemented by the agents is needed to reduce the risk that the agents will divert public resources to their personal use (Goodson et al., 2012). The auditor who works on behalf of the citizens should detect and report on unreliable information from public sector corporations to expose the way public resources are being managed by public officials (Budding et al., 2015).

However, it is not only that audit services are important and needed in the public sector for transparency and accountability, but also the quality of the audit being conducted matters. Public sector governance is believed to be strengthened by effective and quality public sector audit activity (Goodson et al., 2012, 2012). Audit quality means a reduction in audit risk and the likelihood that the auditor will issue an inappropriate audit opinion (ACCA Global, n.d). In the public sector, quality audit gives taxpayers the assurance that their money collected through compulsory taxation is accurately accounted for and used for the intended purpose (Institute of Chartered Accountants in England and Wales, 2019). The need to understand the attributes and drivers of audit quality has spurred a debate among academics and practitioners (Sulaiman, et al, 2018). Since audit quality is a difficult concept to define and measure, regulators and financial reporting and audit bodies around the world have had discussion forums and frameworks aimed at identifying factors that affect audit quality in the private sector. For instance, the Institute of Chartered Accountants in England and Wales (ICAEW) in 2004 began a discussion called Audit Quality forum to discuss and highlight major underlying factors that affect audit quality in practice. The UK Financial Reporting Council (2008) also drew up an Audit Quality Framework that discusses audit quality concepts and drivers of audit quality. These frameworks were developed particularly focusing on the private sector with little or no considerations of the need for audit and the attributes of audit quality in the public sector. There is a gap in the public sector auditing literature of a conceptual framework that explains the needs for audit and the attributes of audit quality.

Consequently, in this study, we opt to explore how public officials in a developing context perceive and understand the need for audit and the attributes that influence audit quality in public corporations.

1.2 Problematization

Public sector Auditing is needed to expose corruption and malpractices that deprive the public of their fair share of the national wealth of a country. Greenwood (2017) asserts that an audit is a critical tool by which government and elected officials can gain the confidence and trust of the public who look to them for answers to their needs and demands. For democratic governments, the public audit function is a key accountability tool for conducting an independent assessment of public organizations' compliance with applicable laws and values. Audit attests to the accuracy of government spending on public projects and how well those projects are meeting their targets (Greenwood, 2017). The need for audits in the public sector

is reflected by the fundamental agency problem between citizens and their agents in government positions (Goodson et al, 2012, Schelker, 2008).

In developing countries such as Liberia with widespread corruption and lack of transparency and accountability of public officials to their citizens, there is a need for audit and an understanding of what influences audit quality in the public sector. To be accountable and seen transparently, public organizations issue financial reports that inform the legislature and the citizens about the government financial activities. These financial reports however can be inaccurate or prepared by middle or senior level management staff who may not follow the relevant reporting standards and an independent review is crucial (Schelker, 2008). In modern democracies, Supreme Audit Institutions (SAIs) are established to perform independent reviews of government activities aimed at providing information to policymakers and citizens and exposing waste and corruption. This view is supported by Frey (1994) that without the state audit function of collecting, processing, interpreting, and publishing information about government activities, it becomes difficult for members of parliament, opposition parties, and the citizens to supervise and critique government activities. Suzuki (2004) and Goodson et al (2012) emphasize the need for audits in the public sectors is to control the government to improve transparency and accountability in the policy process. Studies by Schelker and Eichenberger (2010) and Blume and Voigt (2011) stress that public sector auditing is needed to improve the transparency of public policies and reduce wasteful spending. Schelker (2008) states that the demand for independent audit function in the public sector has existed for a considerable period for agency or management control purposes. But there has been a contented debate whether public sector auditing is for management control or is intended to create wider accountability to parliament and other stakeholders (Schelker, 2008).

Audit reduces the risk of information asymmetry associated with the agency problem; this means that citizens who are the principals will stay informed to criticize the works of public officials (Goodson et al., 2012, Schelker, 2008). Hay, Simpkins, and Cordery (2016) note that auditing is useful for the management of audited organizations as well as to society and the economy due to agency theory, signaling and organizational control, risk management, and the general public good. Tirole (2006) states that information asymmetry plagues the principal-agent relationship leaving the principal with the option to hire a supervisor (auditor) to control the agent. However, the auditor and the agent can collude and leave the principal ill-informed about the actions of the agent. On the other hand, a naïve principal may not anticipate collusion

between the agent and the auditor and may remain worse off (Schelker, 2008). In addition to these concepts, Gomes (2006) suggests that the stakeholder theory is applied in the public sector literature owing to the wave of the New Public Management, the introduction of business-based ideology to public sector organizations for efficient delivery of public goods.

However, these concepts are impractical in the public sector especially in countries like Liberia where the Auditor General is appointed by the President with the consent of the senate. The Auditor-General is inherently regarded as not independent since he or she may seem to work at the will of the executive and not the citizens, instead. Schelker (2008) asserts that when the auditor is appointed by the agent instead of being elected by the principal, there is a high risk of collusion. He posits that such appointments facilitate side-payments and reciprocal behaviors between the agent and the principal. Consequently, if the auditor is not perceived as an independent supervisor of the agent, the quality of audit services provided can be questioned (Schelker, 2013).

The production of quality audit reports by the auditor is perceived to foster the confidence of users of the financial statements. In the public sector, taxpayers, creditors, and donors tend to place trust in financial statements to make important decisions. The quality of an audit is a sensitive issue to both practitioners and researchers because of the difficulties in measuring it. Herrbach (2001) explains that audit quality is characterized by a strong vagueness, which makes it difficult to gauge, unlike other economic activities where quality can be reported more accurately. According to Broberg (2013), it is difficult to set a standard definition and measurement criteria for audit quality due to its subjective nature as audit quality is largely dependent on the users' or stakeholders' perceptions of quality. Stakeholders' perceptions and definitions of audit quality varied among them depending on their involvement in the audit process. However, research into the attributes or factors that determine audit quality have focused on a statistical analysis of proxy¹ indicators that are not quite an objective measure of audit quality (Greenwood, 2017, Deangelo, 1981). Indicators such as audit fees, firm size, absolute abnormal accrual², audit firm reputation among other indicators have been used in the

¹ Proxy data are data collected through proxy measures used to study a situation, phenomenon or condition for which there is no direct information

² Absolute Abnormal Accruals are the proportion of accruals recognized by managers that do not reflect the fundamental performance of the firm but give managers the opportunities to manipulate earnings.

literature to measure their impact on audit quality applying statistical analysis (Deangelo, 1981, Deis and Giroux, 1992, Bennie and Taylor, 2016). Cuong and Dung (2019) use regressions and find that several determinants, both internal and external, can affect audit quality, including auditor professional knowledge and skills, professional skepticism, compliance with standards, working conditions, audit duration, and quality control. Although proxy measures approaches are based on real-world data and not people's perceptions, there is criticism regarding the use of proxies. Proxy measures can be criticized due to the difficulty in identifying objective proxy variables and the risk of omitting variables, as well as the causality between variables is not always definite (Beattie, Fearnley, and Hines, 2013). Despite the numerous research done in audit quality, corporate scandals and audit failures have increased the need for a high-quality audit. The aftermath of the 2008 financial crisis has also questioned the role and value of external audits since many financial institutions collapsed or had to be bailed out shortly after receiving unqualified audit opinions (Kilgore and Bennie, 2014, Beattie et al., 2013, Otley and Pierce, 1996).

However, Greenwood (2017), states that additional insight into audit quality can be obtained by using methods other than statistical analysis. Greenwood (2017) finds that perceptions of reduced audit effort, deployment of less experienced audit staff, and auditor whose independence is compromised can signal reduced audit quality and an enhanced risk of financial misstatement. Inspired by the works of Portal (2011), Sulaiman (2011), and Beattie et al. (2013), we intend to explore the perceptions of key staff in the different departments of public corporations regarding the need for audit and the attributes of audit quality in the public sector. Furthermore, most of the above research on audit have been conducted in the private sector in a developed context (Copley, 1991, Deis and Giroux, 1992, Greenwood and Zhan, 2019).

As stated earlier, research on the need for audit and audit quality have employed empirical archival research methods using various observable inputs and outputs measures as a proxy for audit quality. A few research have selected to gather the perceptions of middle and senior-level staff in finance and audit departments regarding the subject matter. However, those research do not seem to focus on the reasons audit is needed in the public sector and the attributes of audit quality in practice. Nevertheless, due to the limited availability of research findings on the topic

When earnings are manipulated in this way, it affects financial reporting quality thereby affecting audit quality (Li, Hay & Lau (2018).

in Liberia, this study seeks to contribute to filling the context gap in the literature by finding results from a developing country that may help the public sector, auditing researchers. In this regard, we aim to explore the needs for audit and the attributes of audit quality perceived by middle and senior management staff in public corporations in a Liberia.

The research questions are explored qualitatively to develop an understanding of why audit is needed and the attributes that influence the quality of audit in public sector organizations as per the perspectives of public officials in Liberia. By exploring the needs for audit and attributes of audit in practice in the public sector, this study may provide some insights into why the use of proxies as measures of audit quality is maybe limited. This thesis may also reveal new reasons for audit and attributes of audit quality that may have practical relevance for public sector organizations.

1.3 Purpose

The purpose of this study is to explore the need for audit and the attributes of audit quality perceived by middle and senior management staff in Public Corporations in Liberia.

1.4 Research Questions

Research question 1: How do middle and senior staff perceive the need for audit in Public Corporations in Liberia?

Research questions 2: What attributes influence audit quality per the perspectives of middle and senior management staff in Public Corporations in Liberia?

1.5 Disposition of the thesis

Figure 1.1 below presents the disposition of the thesis. It gives a pictorial view of the pattern or sequence which we followed in writing this thesis.

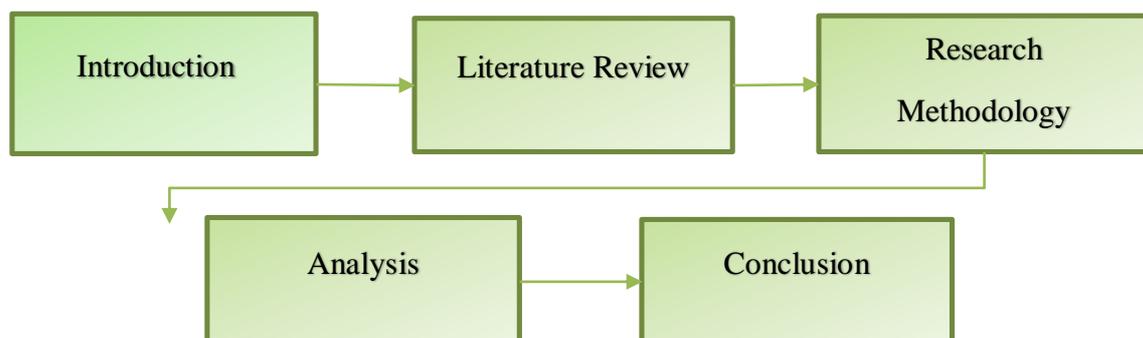


Figure 1.1 Disposition (Authors' Own Construction)

2. Literature Review

There is an extensive amount of research on audit in the private sector as the auditing literature was primarily developed to examine private sector auditing (Francis, 2004, Hay and Cordery, 2018), but not much research work exists regarding public sector auditing. Hay et al. (2018) point out that auditing in the public sector has not been widely researched as expected. Although Greenwood and Zhan (2019) assert that lessons from private sector audit research cannot be assumed to equally apply to the public sector, Hay et al (2018) state that such research is related to the mainstream public sector literature and can be relevant to the public sector. Research findings on the need for audit and attributes of audit quality in the public sector are very little. Moreover, the available research on audit quality does not clearly define what constitutes audit quality and specify the practical attributes of audit quality (Greenwood et al., 2019, Hay et al., 2018). This section reviews some of the research literature available on the need for audit and the attributes of audit quality in the public sector. The literature review did not consider the available private sector conceptual frameworks because they do not provide a conceptual basis for the need for audit and the attributes of audit quality in the public sector. The literature review presents the Stakeholder and Agency theories explanations and considers findings and the facts on the subject matter contained in prior studies. None of the research work surveyed so far used Liberia’s public sector as a case study due to the limited availability of studies on the topic from this context. The literature reviewed in this study is geared towards presenting what previous studies say about the specific concepts being depicted by the figure below:

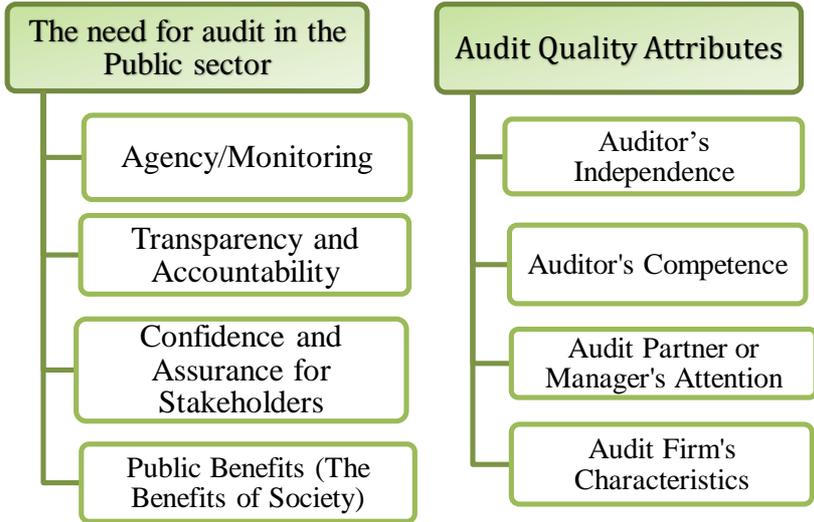


Figure 2.1: Key Concepts in the Literature (Authors’ own construction based on Hay et al. (2016) and Gustavson (2012)).

2.1 The need for audit in the Public Sector

Auditing plays a valuable role in providing independent assurance that an entity's accounting information is credible and can be relied upon to make decisions related to resource allocation and crafting new policies (Goodson et al., 2012). In the public sector, an audit helps to strengthen governance by exposing ills and lapses in public entities thereby increasing citizens' ability to hold their government accountable (Bigger, 2012). The audit function in the governance structure of the public sector promotes credibility, equity, and appropriate behavior of public officials. Public audits provide additional assurance that resources are applied honestly and in an economically efficient way to the intended activities approved by the legislature. In the context of Liberia, the trust of the general public in the government is weak because of many media and civil society organizations reports of corruption and misapplication of public resources (Lee-Jones, 2019, Corruption Perception Index, 2019). Audit is needed in such a context to ensure transparency and accountability in the public sector. Auditing public sector corporations can spot material misstatements in published financial statements or any signs of imminent financial failures (Hay et al, 2016). The need for audit in the public sector can be associated with the stakeholders' theory and the agency theory to understand the underlying concepts. The stakeholder theory can be applied in the public sector literature to explain the relationship between the management of public sector organizations and various stakeholders regarding their participation in the decision-making process (Gomes, 2006). The proliferation of the New Public Management that brings about business-based ideas in the public sector encourages the application of the stakeholder theory in the public sector (Gomes, 2006). It is considered as an approach used by public decision-makers to search for opportunities and threats related to stakeholders' interests in public organizations and how they benefit from the organization's outcomes (Gomes, 2006). The agency theory and stakeholder theory explanations are given under each concept related to the need for audit and the attributes of audit quality. We discuss the need for audit specifically in the following subsections:

2.1.1 Agency/ Monitoring

According to Hay, Simpkins, and Cordery (2016), auditing as an agency/monitoring mechanism provides credibility to management reports with a focus on financial information, the outcomes of public projects, and monitoring the quality of reporting. Public sector audit checks the functionaries of public officials to ensure that public funds are allocated and expended for delivering the public good (Gustavson, 2012). Auditing plays an oversight role in public sector governance and Gustavson (2015) states that its essence is commonly understood from the logic

of the principal-agent problem. The political representatives and the citizens who are the principal delegate the execution of the public affairs to public officials, the agents. In this relationship, there is information asymmetry between principals and agents which requires a control mechanism for the agents' actions and performances. Auditing serves as a monitoring activity for the principals to mitigate the risk that the agents will act in their interest.

The agency theory exemplifies a relationship and the associated cost of controlling agents' behavior in this relationship. The cost of monitoring the agents can be reduced by appointing auditors to give the principals a high level of confidence in the financial statements. Hay et al. (2018) state that auditing is needed to reduce agency costs as explained by agency theory. Streim (1994) as cited in Hay et al. (2018) finds that applying the agency explanations in the public sector has more complexities than in the private sector. Three main sets of principal-agent relationships hold in the public sector. Those relationships include the relationship between voters as principals and legislature as agents, between legislature as principals and government as agents, and between government as principal and bureaucrats as agents (Hay et al., 2018).

However, in the first relationship, the voters cannot observe the actions of the legislators as the potential cost of monitoring the legislators outweighs the benefits. In the second relationship, democratic tenets required the government through the executive branch to present detailed reports of budget and expenditure to the legislature. Hay et al. (2018) state that auditing certainly is needed in this relationship to prevent the government from presenting biased or manipulated data. Public organizations are required to maintain appropriate accounting systems to produce useful information that supports accountability and decision making (Brusca, Caperchione, Rossi, 2018). The third relationship as described by Hay et al. (2018) is more of a conflict of interest between the ministers and the executive directors. The director has more information and incentives for a larger budget, but the minister on the other hand wants to cut budget slack (Hay et al. 2016). These agents seek their interest and neglect the interests of the general public by engaging in behaviors that do not add any national value. There is a need to deter public officials from engaging in corrupt behavior that hampers the growth of society. Gustavson and Sundstrom (2018) state that although there is hardly any research evidence that auditing reduces the corrupt behaviors of bureaucratic agents, auditing is the main tool for detecting such behavior in public administration. They find evidence that good auditing has positive effects on public sector corruption on the national level.

Nonetheless, the auditor is a part of another agency relationship. The principals who appoint the auditor may not have access to information to ascertain that the auditor is performing to expectations. A mitigating solution could be for auditors to adhere to applicable regulations and standards or commit themselves to some form of an independent inspection. Hay et al. (2018) state that inspection of public sector auditors is an issue of further research.

2.1.2 Transparency and Accountability

According to Brusca et al. (2018) changes in public sector accounting and auditing brought by the New Public Management (NPM) reforms increases transparency and accountability in public organizations due to stakeholders' demands for high quality and relevant information to make decisions. Barret (2002) as cited in Brusca et al. (2018) asserts that auditing is a valuable tool in securing the quality and reliability of financial information. Brusca et al. (2018) state that auditing guarantees the quality and reliability of public accounting systems. Schelker and Eichenberger (2010) conduct empirical research that analyzes the impact of auditors on fiscal policy at the Swiss local level and finds that auditors improve the transparency of public policy and reduce wasteful spending. Liu and Lin (2012) find similar evidence that public sector auditing can contribute to curbing corruption and maintaining financial and economic order that improves government transparency and accountability. From a Stakeholder theory perspective, transparency and accountability in public sector organizations mean that stakeholders are adequately informed about happenings within public sector organizations, can place a claim on the organizations' attention or resources, and are affected by the organization's outputs (Gomes, 2006). Often, information asymmetry, as explained by the agency theory, deprives stakeholders of key information privy to the management of the organization. In this situation, stakeholders cannot observe the performance of public officials to make any rational decision as to whether public resources are accounted for properly to benefit the general public. Essentially, the delivery of public value by public organizations is non-existent.

An audit is an important tool for transparency and accountability. Audit institutions are expected to follow standardized work procedures and conduct extensive documentation during the audit process. Public sector audit standards that promote transparency and accountability in Supreme Audit Institutions (SAIs) are meant to strengthen internal processes at SAIs and make them lead by example (Gustavson, 2012). SAIs are expected to represent to a greater extent a constitutional and integrity institution (Noussi, 2012 and Pallot, 2003). They are required to report on whether agencies in the public sector have exercised probity and legality in collecting

and spending citizens' (taxpayers') dollars (Friedberg & Lutrin, 2005). Gustavson (2015) note that audit leads to higher levels of political accountability when SAIs communicate audit results directly to the people. In this way, stakeholders get involved with the organization and influence the organization's decision making. In line with the stakeholder theory, managers of public organizations should find and align the goals and interests of all stakeholders with that of the business.

2.1.3 Confidence and Assurance for Stakeholders

Auditing is a medium for the government to send a signal to stakeholders such as international lending and donor organizations that it is a reliable manager of resources. A credible independent audit of government activities helps provide assurance and boosts the confidence and trust of taxpayers, lenders, and donors to make rational decisions (Hay et al., 2016). The audit process is a way of supporting good governance by providing assurance over the reliability of the financial statements and bringing issues of financial malpractice and wasteful spending to the attention of governing bodies (Hay et al., 2016). Goodson et al. (2012) note that audit provides an unbiased assessment of how public resources are managed. It helps public sector organizations achieve accountability and integrity, improve operations, and instill confidence among citizens and stakeholders. A study commissioned by the Financial Reporting Council (FRC) of the UK finds that stakeholders groups such as financial directors, CFOs, audit firms, accounting bodies, and audit committee chairs who are most closely involved in the audit process show the highest level of confidence in audit (FRC, n.d). However, in the absence of an audit, financial statements produced by public organizations may not be considered reliable and credible by stakeholders which lower their confidence levels as well. This does not also show whether public officials are exhibiting ethical behavior in managing the public dollars entrusted to them since there will be no third-party attestation for their activities. Stemming from an agency theory explanation, the voters who are considered the principals can work in interest groups (Kurtenbach and Roberts (1994) or through a legislative process to mandate Public organizations to implement an improved accounting system that facilitates audit to monitor the behaviors of public officials.

2.1.4 Public Benefits (The benefits of society)

Providing direct benefits and externalities to stakeholders and wider society is another explanation given by research work such as Hay and Cordery (2018) and Gustavson (2012) on the need for audit in the public sector. Hay and Cordery (2018) note that audit is a public good

that benefits numerous parties including lenders, voters, and other interest groups who may not be able to negotiate public audits themselves. Audit recommendations can trigger public administrations to adopt better policies that are in the best interest of societies. Auditors can evaluate and critique policy proposals or policy decisions and make recommendations to public officials which reduces tax burden and public expenditure (Hay et al, 2018). A study conducted by KPMG on the Value and Quality of Government audit finds that the general public is treated unfairly or not given their fair share of the public wealth in countries where government audit results are not made public or easily accessible (KPMG, 2015). Budding et al, (2015) emphasize the need for public sector audit to be conducted in the public interest. We associate these concepts with the stakeholder theory which proposes that the effectiveness or success of an organization is measured by its ability to satisfy all individuals or groups that have interests in the organization or are affected by its outputs (Gomes, 2006).

2.2 Attributes or factors that affect Audit Quality

In recent years, the overly changing public sector environment is a challenge for auditors regarding audit quality as new developments emerge in accounting and financial management. Now public sector audit institutions must be well capacitated, resourceful and most of all independent to professionally deal with the emerging challenges in public sector accounting. There is no single model that defines and operationalizes audit quality thereby posing a significant challenge for practitioners and academicians to measure audit quality in the public sector (Ismail et al., 2019).

The public sector auditing literature contains many attributes of audit quality or good public sector auditing. Gustavson (2015) conceptualized the quality of audit by her three principles of good government auditing: *Independence, professionalism, and recognizing the people as the principal*. Landmark research work in the auditing literature such as Deangelo (1981), Deis and Giroux, (1992), Schelker (2008), Hay and Cordery (2018), and Cuong and Dung (2019) associate audit quality with different indicators. Among the most discussed attributes of audit quality discussed by these research are the auditor's independence, the auditor's competence, and professional knowledge and skills, the duration of the audit and the involvement of senior audit staff in the audit process, and audit firm characteristics such as firms' reputation and firm size. We discuss the details of research findings and the relationship of these indicators with audit quality under each of the heading below.

2.2.1 Auditor's Independence

The independence of the auditor is considered by White and Hollingsworth (1999) as a constitutional role and a foundation of public sector auditing. Flint (1988) defines auditor's independence as the absence of external pressure or personal relationships that influence the auditors' objectivity and integrity in rendering their professional judgment. Auditor's independence is predominantly discussed in the auditing and corporate governance literature (Deangelo, 1981, Schelker, 2013, Greenwood, Gustavson, 2015, Hay and Cordery 2018). Schelker (2013) studied the impact of auditor's independence, expertise, and rotation requirements on government performance and noted that audit quality depends on the auditor's independence and expertise. The auditor's independence is not guaranteed and can be impeded by the provision of non-audit services, the auditor's psychological ties to management, and appointment and removal process (Schelker, 2013), but auditor independence can be used to judge audit quality. If an auditor is independent of an auditee, audit quality is perceived to be higher. To test the relationship between auditor's independence and audit quality, Ismail, Dangi, Merejok, and Saad (2019) employ correlation and regression tests on data collected through questionnaires from 114 samples of auditors in Malaysia. They found a significant relationship between auditor independence and audit quality. The relationship between auditor independence and audit quality is further emphasized by Tepalagul and Lin (2015) in their review of the literature on the threats to auditor independence. They note that auditor's independence can affect the whole audit process leading to audit quality. Audit quality decreases when the auditor is not independent in his or her engagement (Tepalagul et al., 2015).

The independence of an auditor as an attribute of audit quality is explained by DeAngelo's (1981) definition of audit quality. DeAngelo (1981) defines audit quality as the market-assessed probability that the auditor will detect an issue in the client's record and report it. The auditors are perceived independently when they correct or disclose in the auditor's report the errors or misstatement they detect in the client's financial report.

In the public sector, an independent auditor is well desired to boost the citizens' trust and enhance the credibility of the financial reports issued by public corporations. Hay and Cordery (2018) state that there has been a demand for independent auditing in the public sector. Schelker (2013) note that Supreme Audit Institutions (SAIs) are the independent bodies established with the constitutional mandate to conduct audits in the public sector. SAIs are perceived as not independent since in many jurisdictions the heads of SAIs are appointed by the executive

government instead of being elected by the legislature (Hay and Cordery, 2018, Schelker, 2013). Hay et al. (2018) and Schelker (2013) find auditor's independence as an important factor that affects audit quality. Barrett (1996) states that the value that Supreme Audit Institutions (SAIs) delivers in the public sector is higher when they are independent of government or particular interest groups. Schelker (2008) finds that when the auditor appointment is more independent there is a higher quality of audited financial statements. The role of SAIs as independent third party reviewers of public organizations' activities to expose corruption, malpractices, or reduced wasteful spending is defined by the agency theory. SAIs in their capacity as state auditors reduce agency costs due to information asymmetry and conflicting interests between public officials as agents and the citizens as principals (Sulaiman, 2011).

2.2.2. Auditor's competence

The professional knowledge and skills, education, training, and expertise of the auditor tend to impact the quality of the work they do. Gustavson (2015) states that the capacity of auditing agencies in terms of the skills and expertise among the auditors drives a fulfilling audit assignment. Gustavson (2015) finds evidence that in poor countries, the lack of education and expertise among auditors creates capacity constraints for state auditors and places a huge limitation on how agencies conduct audits. It is evident by Kusumawati and Syamsuddin (2017) that an auditor with higher professional qualifications, skills, and experiences will apply professional skepticism in rendering a judgment about audit evidence. Applying regression methods on results from questionnaire surveys on auditors in Indonesia, Kusumawati et al. (2017) found evidence that professionalism on the part of auditors has a direct effect on audit quality. As noted by DeAngelo (1981), the ability of the auditor to detect a breach in the client's financial statements defines audit quality. Choo and Trotman (1991) find evidence that an experienced auditor is better able to find unusual audit evidence than an inexperienced auditor. Schelker (2008) and Ismail et al. (2019) also provide empirical evidence that auditor's competence in terms of auditor expertise is a significant attribute of audit quality in the public sector.

Moreover, Gustavson's (2015) second core principle of a good government auditing is *Professionalism*. Professionalism is the auditors' way of exhibiting unbiased and ethical behavior and organizational commitment. A professionally committed auditor maintains professional skepticism to produce better quality audits (Kusumawati et al., 2017). In the public

sector, it is likely that the auditors will not apply professional due care in performing their audit services; they become biased and subjective in exercising judgment due to their political interests or relationships with the agents who appoints them. This is given by the agency theory (Schelker, 2013, Hay et al., 2018) that the auditors themselves are subjected to another agency's relationships which may influence their professional judgment to act or render decisions that contradict professional standards.

2.2.3 Audit Partner or Manager's Attention to the Audit

The quality of an audit is perceived to be influenced by the people and the processes involved in providing audit services. The total involvement of audit managers and audit partners in the audit process from risk assessment, planning, supervising, and reviewing the work performed has a highly significant impact on audit quality (Kilgore and Bennie, 2014). To ensure that the audit services performed are in conformity with professional standards, applicable regulations, and laws, auditors must encourage quality control policies and procedures to maintain the quality of audit services (ISSAI, 100). Bennie and Taylor (2016) use survey and focus group interviews to solicit and compare the perceptions of CFOs and directors on the relative importance of key audit attributes found in prior research. They state that prior research has placed a high value on the audit manager and partner attention to the audit process and that the audit partner or manager perceived active engagement in the audit process significantly contributes to audit quality. Bennie et al. (2016) found that both directors and CFOs consider the active involvement of partners and managers with the audit as an important attribute of audit quality. Audit quality can be characterized by an audit firm attaching considerable importance to the internal compliance-quality control. Deis and Giroux(1992) note that audit quality improves when the auditor is aware that the audit work performed is subject to a third-party review and that poor audit quality will be revealed.

2.2.4 Audit Firm Characteristics

The characteristics of audit firms performing the audit of an organization have been studied as an important attribute of audit quality (Deangelo, 1981, Kilgore et al 2014, Deis and Giroux, 1992). The characteristics of an audit firm include audit firm size and audit firm reputation among other factors. Audit firm size is considered an attribute associated with audit firm competence and independence based on the rationale that large audit firms have greater resources that enable them to maintain professional standards while minimizing the probability that they will compromise their independence in the instance of external pressure. Survey data

analyzed by Bennie et al. (2016) revealed that all three groups of respondents ranked audit firm size as the most important attribute of audit quality. Audit firms with huge client-based tend to be mindful of the quality of audit services they provide for the clients. They stand a chance to lose greater in any instance of loss of reputation (Deis et al., 1992).

2.2.5 Summary of Literature Review

In summary, the need for an audit can be associated with four main concepts in the public sector auditing literature. Firstly, public sector audit promotes transparency and accountability in ensuring that public resources are utilized as intended and public authorities are opened about the process. Hay and Cordery (2018) states that public sector auditing improves transparency and accountability by informing citizens and stakeholders about ills in public organizations and how they can efficiently operate to deliver public value.

Secondly, an agency/monitoring explanation is given by Hay et al (2018). They suggest that the concepts of the agency theory can be used to explain why an audit is needed in the public sector. This explanation states that audit serves as a monitoring mechanism for the principals (citizens) against the agents (public officials). Audit reduces agency costs in the public sector by detecting and reporting on malpractices perpetrated by public officials. The behaviors of public officials in public organizations are monitored to ensure the efficient delivery of public services (value).

Thirdly, public sector audit is needed to give confidence and assurance to stakeholders that the financial data reported by public organizations are free from material misstatements. Audit enhances the quality of financial reporting and boosts the trust of citizens in public corporations. The agency's theoretical concepts can be applied here where the citizens as principals demand audit of public officials' (agents') activities to ensure that there is no conflict of interest. Fourthly, in the views of Hay et al. (2018), audit serves as a public good in the sense that it triggers government organizations to adopt good public policies that benefit wider society. Audit provides direct benefits and externalities to all stakeholders. By making audit results public, public organizations keep citizens and stakeholders informed of their state of financial and operating affairs. This means that the interests of the wider society are considered in the decision-making process postulated in the stakeholder theory (Scholl, 2001).

The attributes of audit quality in the literature were generally given by four concepts. Firstly, auditor's independence is an attribute of audit quality and is popularly defined by DeAngelo

(1981) as the likelihood that the auditor will detect a breach in the client's record and report it. An independent auditor expresses an objective view that public organization's financial reports are free of material misstatement without any political influences or ties to an interest group. This enhances the quality of financial reporting (Schelker, 2008) and reduces information asymmetry and conflict of interests as per the agency theory.

Secondly, auditor's competence is found in the literature to influence audit quality. Auditor's competence is the auditor's ability to identify lapses in clients' records (DeAngelo, 1981). It can be associated with the auditor's professional knowledge and skills, education, and experience. When the auditors are independent and competent they detect and report misstatements due to errors or frauds without undue influence from external pressure. This enhances audit quality and lowers the risk of litigation and audit liabilities. Using concepts from Agency theory, the auditors can be placed in another relationship with the audited organization which may influence their independence and competence in rendering professional judgment.

Thirdly, audit partner, or manager's attention to the audit is found to influence audit quality. The logic is when a more senior auditor is totally involved with the audit process, he or she supervises junior auditors and ensure that quality audit services are provided (Kilgore and Bennie, 2014). This is related to auditor's competence since senior auditors are considered more experienced and qualified to detect misstatements. Fourthly, audit firm characteristics including audit firm size and audit firm reputation are found to influence audit quality. The idea is that larger audit firms have greater resources to manage the audit process and better chance to avoid compromising their independence and loss of reputation (Deangelo, 1981, Kilgore et al 2014, Deis and Giroux, 1992). These explanations are given in accordance with the concepts outlined in figure 2.1 above.

3. Methodology

This chapter provides the discussions for two sub-sections, the theoretical methodology and empirical methodology. We explain what the various methods are per the accounts in the existing literature and why we conduct a specific theoretical and empirical method in our study. In the empirical section, we discuss the available empirical methods, our choices of methods, and present the way we conduct the data collection and how the collected data is analyzed.

3. 1 Theoretical Methodology

In this section of the study, we discuss the choices of methodology, which include the research philosophy, the research approach, and the choice of methods. The choices of theory and the sources of the literature, as well as the time horizons, are also presented.

3.1.1 Research philosophy

Research philosophy concerns the beliefs and assumptions of knowledge development when one embarks on a research project (Saunders, Lewis, and Thornwill, 2009). A consistent and well-thought-out set of assumptions form a credible research philosophy underpinning a coherent basis for the research methodological choices, research strategy, and data collection techniques (Saunders et al., 2009). There are two types of research philosophies discussed in the business research literature: *Epistemology and Ontology philosophies* (Saunders et al., 2009, Bryman and Bell, 2011).

Ontological assumptions concern the nature of reality which shapes the way researchers see and study the research objects such as organizational events, management, and individuals' working lives (Saunders et al., 2009). From an ontological position, the researcher focuses on the nature of social entities as a reality external to social actors or social constructions based on the perceptions and actions of social actors (Bryman and Bell, 2011). Saunders et al. (2009) put ontological positions into two subdivisions: *objectivism and subjectivism*. Objectivism considers social phenomena as external facts that confront the world and social entities that cannot be influenced (Bryman et al., 2011). This means that the research objects or social phenomena are independent of the perceptions and actions of social actors. On the other hand, subjectivism claims that social phenomena are constructed through social interactions and can be constantly revised (Bryman et al., 2011). In contrast to objectivism, subjectivism uses

assumptions related to arts and humanities and claims that social reality is a result of the people's perceptions and actions (Saunders et al., 2009).

In contrast to ontology, epistemological assumptions relate to developing and communicating knowledge to others (Saunders et al., 2009). It involves questioning what can be considered acceptable, valid, and legitimate knowledge. Other than an ontological view that is seemed rather abstract, epistemology makes use of different types of obvious knowledge such as numerical and textual data, facts, and interpretations to give meanings to the social entities (Saunders et al., 2009). Epistemological positions offer the advantage of a greater choice of methods in different fields of study (Saunders et al., 2009). The different epistemologies are grouped into two positions: *Positivism and Interpretivism* (Saunders et al., 2009, Bryman et al., 2011). Firstly, a positivist view of the social entities focuses on strictly scientific empirical methods that promise unambiguous and accurate knowledge based on facts and data free from human bias (Saunders et al., 2009). Positivism deals with large samples of data and can be typical of a quantitative study (Saunders et al., 2009). Secondly, an interpretivist view is critical of positivism and can be compared to subjectivism in an ontology. Interpretivism asserts that humans and physical phenomena are different and cannot be studied in the same way. This means that the social sciences are different from the natural sciences. Therefore, it takes different logic of research approach to study the social world (Saunders et al., 2009, Bryman et al., 2011). Interpretivism, therefore, uses the meanings created by humans to present better understandings and interpretations of social worlds and contexts (Saunders et al., 2009). In the context of business research, valid interpretivism would be using the perspectives of different employees to study an organization since every staff has different experiences in the workplace. Interpretivism deals with small samples and qualitative methods of data analysis (Saunders et al., 2009).

We, therefore, applied the epistemological position of interpretivism in this study. We gathered and used the perspectives of middle and senior-level staff in public corporations to provide a better understanding of how they regard the need for audit and quality of audit in the public sector. We interpret participants' perceptions and experiences of the needs for audit and audit quality in the public sector.

3.1.2 Research Approach

According to Bryman and Bell. (2015), there are three types of research approaches, the deductive, inductive, and abductive research approach. A deductive approach is the research approach that involves the testing of a theoretical proposition by the employment of a research strategy specifically designed for the purpose of its testing whereas the inductive approach is the research approach that involving the development of a theory as a result of the observation of empirical data (Saunders, Lewis, and Thornhill (2009). Abductive approach/ reasoning is a form of synthetic inference through which meaningful underlying patterns of selected phenomena are recognized to comprehend a complex reality and expand scientific knowledge (Raholm, 2010). Mirza, Danesh, Noesgaard, Martin, and Staples (2014) state that the abductive approach is a creative inference, which involves integration and justification of ideas to develop new knowledge. According to Bamberger (2018), one could conceptualize deductive methods as describing something that “must be,” inductive methods as describing something that is “actually operative,” and abductive methods as describing something that “maybe.” Blaikie (2009) advises that the choice of a particular research approach at the initial stage of a research activity should be based on the need to provide answers to the study’s research questions, effectively.

Moving forward, considering the definitions and the conceptualization of those three approaches above, this study uses the abductive approach. This approach enables us to analyze the data while connecting with existing theories and findings from prior literature. Bryman et al. (2011) and Saunders et al. (2012) agree that the abductive approach enables the researcher to move back-and-forth between the theory, the empirical data, and the existing literature on the subject. With the abductive approach, we aim to analyze and discuss participants’ perceptions of the need for audit and the attributes of audit quality in the public sector using existing theoretical constructs and connecting with concepts in prior literature. To fill the gap of a conceptual framework that defines the needs for audit and the attributes of audit quality in the public sector, we present a conceptual model that can be used as a frame of reference for conducting similar qualitative studies in the public sector.

3.1.3 Choice of Methods

Methods are specific techniques that are used to collect and analyze data (Crotty, 1998, 3). However, Bryman and Bell. (2011) describe two categories of research methods as qualitative and quantitative. Given (2008) posits that the quantitative research method is defined as the

systematic empirical investigation of observable phenomena via mathematical, statistical, or computational techniques. According to Saunders et al. (2009) quantitative is mostly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure (such as statistics) that generates or uses numerical data. In contrast, qualitative research is viewed as subjective in nature which examines and reflects on less tangible aspects of the research (Collis and Hussey, 2003). Generally, the role of most qualitative studies function to develop a rich understanding of a phenomenon as it exists in the real world and as it is constructed by individuals in the context of that world (Spencer, 2008). Moreover, qualitative research gives a means for capturing context in specific situations, by focusing on human beings in their social and cultural context. In addition, Porter (2000) states that qualitative research is an appropriate system of inquiry when researchers want to study the understanding and motivation of the research subjects. Moreover, qualitative research gives systematic evidence for getting insights into other people's views of the world (Bryman et al. 2011).

The purpose of this study is to explore the needs for audit and the attributes of audit quality perceived by middle and senior management staff in Public Corporations in Liberia. Hence, the qualitative research method is employed in this study.

3.1.4 The Choice of theories

Theory has been placed in all types of research methods such as quantitative, qualitative, and mixed methods. Theories can be applied at many stages of all types of processes, including giving the rationale for the study; defining the aim and research questions; considering the methodological stance; developing data collection and generation tools; providing a framework for data analysis, and interpretation (Steward and Klein, 2016). Leeming (2018) states that prior theory or broader theoretical concepts can be used to frame qualitative research by guiding the data collection and analysis process and making sense of the findings rather than testing the theory. Cooper and Schindler (1998) state that theory is a set of systematically interrelated concepts, definitions, and propositions that are advanced to explain and predict phenomena. In this study, we use two different theories, agency theory and stakeholder theory.

The Agency Theory is dominantly the theoretical framework used in Auditing literature to explain the need for appointing external auditors (Schelker, 2013, Hay et al., 2018). The agency theory developed out of the work of Berle and Means (1932) who suggested that the separation of ownership and control gives rise to information asymmetry between managers and

Shareholders. The controls and information asymmetry between the directors of public corporations who are the agents and the citizens and their legislators regarded as the principals are used as a theoretical legitimate basis of audit (Sulaiman, 2011). Agency theory defines the concept that the principals appoint and motivate the agents to perform tasks consistent with the goals of the principals (Ross, 1973). According to Tirole (2006), barriers to information accessible by the principals plague the principal-agent relationship. Insiders may have private information or hidden knowledge of the firm's performance whereby outsiders cannot tell how careful insiders are in selecting projects, investment risk, or the effort exerted in maximizing the firm value. Directors may be engaged with opportunistic behavior that is not in the best interest of the citizens. Consequently, there are agency costs incurred when the principal tries to curb the opportunistic behavior of the agents. Auditing is one way to reduce agency costs to ease information asymmetry and conflict of interests between the agents and the principals (Sulaiman, 2011).

The stakeholder theory can be used in the public sector to provide an understanding of the actors in government organizations (Lindgren, 2013). Although stakeholder theory has been explicitly related to private sector firms, it is being applied in the public sector literature to explain how the activities of public corporations can benefit a wider society (Scholl, 2001). Furthermore, Lindgren (2013) states that the stakeholder theory was first introduced by Freeman (1984) to provide a conceptual basis for those affected by an organization's objective. The stakeholder theory has evolved and being applied in different areas including the public sector literature (Lindgren, 2013). The term stakeholder refers to any party that has a stake in the organization and can affect or be affected by the organization's outcomes. As per Wearing (2005) accounts, the underlying assumption of the stakeholder theory is that the firm strategy and tactics should stress the need for incentives for all parties who are affected directly or indirectly by the firm's operations, not just managers and shareholders. Scholl (2001) note that apart from being extensively focused on the private sector, the concepts of Stakeholder theory do not mismatch government's objectives of providing policies and services for citizens and organizations or society's stakeholders. The premises of stakeholder theory can be used for public sector analysis. Public officials should identify and respect the interests of stakeholders, including their interests in governance, and involve their participation in decision making. Lindgren (2013) stresses that it is important to identify and understand who the stakeholders are to make a decision about which stakeholders affect and are affected by the organization's objectives.

3.1. 5 Source

The literature used in this study was read from scientific articles as well as textbooks about public sector auditing and the research topic. To ensure a good quality of the research study, we searched for scientific articles from databases such as Summons e-library at Kristianstad University and Google scholar. In selecting articles, we used keywords such as audit values and audit quality, public sector auditing, and perceiving audit quality in developing countries. We selected our articles based on their contents and the number of citations. The selected articles were from different journals that publish public sector accounting and auditing literature. Additionally, to do the write-up and the narrative in chapter 3 of this thesis, we also used textbooks on research methods in social sciences. Table 3.1 below illustrates some of the most used articles and textbooks in our thesis:

Author	Year	Journal	citations
Barrett, P.	1996	Australian Journal of Public Administration	45
DeAngelo, L.E.	1981	Journal of Accounting and Economics	7057
DeFond, M., & Zhang, J. (2014).	2014	Journal of Accounting and Economics	1321
Deis, D. R. & Giroux, G.A.	1992	The Accounting Review	872
Gustavson, M. & Sundstrom, A,	2018	Administration & Society	31
Gustavson, M.	2015	The Quality Of Government Institute	12
Goodson, S. G., Mory, K. J., & Lapointe, J. R.	2012	Institute of Internal Auditors	22
Hay, D., & Cordery, C.	2018	Journal of Accounting Literature	30
Hay, D., Simpkins, K., Cordery, C.	2016	Victoria University of Wellington,	2
Liu, J. & Lin, B.	2012	China Journal of Accounting Research	92
Schelker, M.	2013	KYKLOS International Review for Social Sciences	18
Schelker, M.	2008	Center for Research in Economics, Management and the Arts	15
Schelker, M. & Eichenberger, R.	2010	Journal of Comparative Economics	53
Sulaiman, N.A	2011	Manchester Business School	14
Bryman, A., & Bell, E.	2011	Oxford University Press	21382
Saunders, M., Lewis, P., & Thornhill, A.	2009	Pearson Education Limited.	7084

Table 3.1: Most used Sources and Citations (5/22/2020). Source: Authors' Construction

3.1.6 Time horizon

The time horizon considers the length of time it took us to conduct the research. Saunders et al. (2009) group research time horizons into two categories: the 'snapshot' time horizon also called the cross-sectional and the 'diary' perspective also known as longitudinal. The snapshot time horizon is used when the research is done in a short time. In contrast, from the diary time horizon perspective, the research study is done in a sufficient period, or a long time (Saunders et al. 2009). Research can be cross-sectional when it is time-constrained. Saunders et al., (2009) note that interview-based case studies are conducted in a short time. This study was conducted in about 10 weeks, starting from 23rd March to 5th June 2020. Since this research conducted interviews over a short period, the 'snapshot' time horizon is used in this study.

3.2 Empirical Methodology

This section presents the methodology we applied which leads to the empirical findings and analysis. We present and discuss the research strategy, the sampling methods, the data collection methods, and the data analysis methods. This first part provides our readers with an understanding of the research strategy employed and the techniques used to collect and analyze empirical data that formed part of this study. Next, we explain the trustworthiness of this study and the ethical issues considered. We present the empirical data collected as per the two primary research questions related to the needs for audit and the attributes that influence audit quality in public corporations in Liberia.

3.2.1 Research Strategy

A research strategy is defined by Saunders et al. (2009, pp600) as the general plan of how the researcher will go about answering the research questions. According to Saunders et al. (2009), there are seven different types of research strategies including experiment research, survey, case study, action research, grounded theory, ethnography, and archival research. However, choosing the appropriate research strategy is based on the amount of time and resources available, the existing knowledge on the subject area to be studied, research questions and objectives, and the philosophical underpinnings of the researcher. A case study is one of the most popular among the research strategies that the scholars used in their research study. According to Saunders et al. (2009), a case study can be a single case study or a multiple case study with each having a unit of analysis about which data can be collected by observation, interviews, questionnaires, and documentary analysis. From the various strategies above, this study applies the case study research strategy as the appropriate strategy for this research. We empirically explore the understanding of key employees in different public corporations regarding the needs for audit and the attributes of audit quality in practice in the public sector of Liberia.

3.2.2 Case Study

A case study strategy is described by Yin (2003, p13) as an “empirical inquiry that investigates a contemporary phenomenon in its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”. Similarly, Saunders et al. (2009) state that a case study as a research strategy involves empirically investigating real-life situations backed by evidence from multiple sources. Yin (2003) and Saunders et al (2009) definitions of case

study form the basis for our choice of a case study strategy as it is based on exploring a phenomenon from a practical standpoint. Additionally, a case study strategy will be helpful for us to explore participants' understanding of the subject matter in order to generate answers to our research questions. Saunders et al (2009) note that case study strategy can be particularly useful in conducting exploratory and explanatory research to answer the questions 'why?', as well as the 'how?' and 'what?' questions. We intend to apply a case study to gather respondents' perspectives of the need for audit and the attributes of audit quality as it relates to their context. With a case scenario, responses gathered will be used to explore existing theory and literature to develop an understanding of the needs for audit and the attributes of audit quality in practice. A multiple case study technique (Saunders et al., 2009) was undertaken with five Liberian public corporations: Liberia Electricity Corporation, Liberia Petroleum Refinery Corporation, National Fisheries and Aquaculture Authority, Environmental Protection Agency, and National Social Security and Welfare Corporation. These Public Corporations were chosen from a list of about 22 available public corporations which were interesting units of analysis for this study. They were chosen because they are among top public corporations that are pivotal for economic growth in Liberia and provide vital public goods to the citizens. In a nutshell, they are potential units suitable for exploring the conceptual applicability of public sector auditing.

3.2.3 Sampling Method

Essentially, it is unlikely that the researcher will be able to collect data from all elements in a study to answer the research questions. So, there is room for the researcher to select a sample of the population for the study. Researchers use sampling techniques to reduce the amount of data to be collected by considering a sub-group of the possible cases (Saunders et al., 2009). Sampling can be defined as choosing a subset from a sampling frame or a population that can be used to make inference about the population or a generalization that can be related to existing theory (Saunders et al, 2009, Taherdoost, 2016). Regardless of the methods of data collection being used, Saunders et al (2009) emphasize the importance of selecting a sample for data collection where it is impractical to use the entire population.

However, there are different available techniques that can be used to draw up a sample from the available elements that a study covers. There are two broad categories of sampling techniques available to researchers in the literature: *Probability and non-probability sampling* (Saunders et al, 2009, Taherdoost, 2016). Probability sampling means that there is a likelihood that any one item of the population can be selected, i.e. every item in the population

has an equal chance of being selected (Saunders et al, 2009, Taherdoost, 2016). With this technique, the characteristics of the population can be predicted statistically to answer the research questions. Probability sampling is highly free from bias, but it consumes researchers' time and energy (Taherdoost, 2016). Saunders et al. (2009) relate probability sampling techniques with survey and experimental research strategy.

Non-probability sampling on the other hand does not give a probability that any of the elements of a population will be selected and it is impossible to make statistical inferences about the characteristics of the population while answering the research questions (Saunders et al, 2009, Taherdoost, 2016). With non-probability sampling, there is still a chance for the researcher to make a generalization to theory rather than about the population using statistical inferences (Saunders et al, 2009). Since a case study strategy is used to conduct the study, we select to use a non-probability sampling technique. Taherdoost (2016) states that non-probability sampling is associated with qualitative research and case study research strategy that focuses on small samples with the intent of exploring the practicality of a phenomenon. Creswell (1998) suggests a sample of 5-25 participants for studies that deal with exploring a phenomenon. Cases or the participants do not need to be a representative of the population but can be selected with a clear rationale (Taherdoost, 2016). There are various methods of non-probability sampling including Quota sampling, Snowball sampling, and convenient sampling (Saunders et al, 2009, Taherdoost, 2016).

For the purpose of this study, we have selected a snowball sampling technique. Although snowball sampling is criticized by Saunders et al (2009) as having huge bias related to respondents often identifying other respondents like themselves, Bryman and Bell (2011) note that this technique has been widely used and is attracting researchers' attention. Taherdoost, (2016) asserts that it is suitable for a small population that is inaccessible due to their closed nature. Snowball sampling was prudent for our study since we could not reach out to members of our desired population due to our selected case study organizations being partially closed and inaccessible by the lockdown orders of the Government of Liberia as a result of the Coronavirus outbreak. We identified contacts relevant to a case organization and the topic. Those contacts referred us to other contacts in the same or different public corporation of interest for our research. This is just the snowball sampling technique as explained by Bryman and Bell (2011), Taherdoost, (2016), and Saunders et al (2009).

3.2.4 Data collection methods

There are generally two sources of data for research purposes: Primary data are data collected first-hand from respondents and Secondary data collected from existing information in the literature (Saunders et al., 2009). The data employed in this study are focused on Primary data collected through the application of qualitative data collection methods. Secondary data in the form of scientific articles and textbooks were also used to layout the theoretical construct underlying public sector auditing and form the basis of our analysis of the empirical data.

The research questions were formulated based on what the study ought to achieve and the two overarching research questions. In preparing the interview guide (*see appendix 2*), we drew up the interview questions with a focus on concepts identified in the existing literature pertaining to the needs for audit and the attributes of audit quality perceived by agents in the public sector. Particular attention was also given to the notion that the needs for audit and the attributes of audit quality in practice can be different than what the literature says. The interview guide was divided into three components: Demographics, the need for audit in the public sector, and the attributes of audit quality in the public sector. The guide contains interview questions related to each component with the aim of gathering general demographic information on the respondents and their perspectives on why an audit is needed in their organizations and what are the attributes of a quality audit as conducted in the public sector.

Primary data collections can be done through observations, interviews, and questionnaires (Saunders et al., 2009). Participants' observation involves the researcher engaging with the daily lives and activities of those they are studying while recording, analyzing, and interpreting their behavior in a wider social context. The questionnaire technique uses closed-ended questions answered by respondents in a predetermined style which concerns the quantitative study and not suitable for exploratory research or other research with open-ended questions (Saunders et al., 2009). This study did not consider the use of observation and questionnaires for collecting primary data because we could not observe participants due to time constraints and our study is a qualitative exploratory study that opts to garner the perspectives of public officials.

The means of primary data collection used in this study are interviews. Interviews can be structured interviews, semi-structured interviews, and unstructured interviews. Semi-structured and unstructured interviews can be conducted in the form of face-to-face, by telephone, and

through internet interviews (Saunders, et al, 2009, Bryman et al., 2011). Structured or quantitative research interviews are conducted using predetermined standardized questionnaires to collect quantitative data (Saunders et al, 2009) while semi-structured and unstructured interviews are unstandardized and basically called qualitative research interviews. The interview guide used in this study was organized in line with two themes covered by related questions with the flexibility of allowing the interviewees to express their thoughts freely. This may reveal data that provide important insights for the study (Saunders et al., 2009).

We conducted semi-structured interviews by email, a form of internet interviews. The interview guide containing a briefing letter of consent (*see appendix 1*) and a total of 9 questions were sent as a separate attachment to identified participants (*see interview guide in appendix 2*). Respondents replied to our open-ended questions through email correspondence. We selected email interviews over telephone and face-to-face interviews because of the distance and time factors as well as the interference of COVID-19³ with participants' normal daily lives. Burns (2010), Bryman et al (2011), and Saunders et al., (2009) note that email interviews can be used as a method of data collection where time and distance cannot permit the researcher to conduct face-to-face interviews. Emails interview enables us to collect rich data since the respondents have enough time and are free to express their views. One disadvantage of email interviews is the likelihood of respondents providing short and concise answers or abandoning the whole process (Burns, 2010). The lack of internet or access to email for interested participants may also constrain the process or make it last longer. The email can be sent by writing the questions in the content of the email, attaching the interview guide to the email, or directing respondents to the questions' URL (Burns, 2010). Participants' responses were collected after sending them emails and making follow-up reminders. We gathered email responses from a total of 8 participants cut across five public corporations in Liberia as per their demographics presented in Table 3.2 below.

³ A severe respiratory disease that began in china and spread globally as a pandemic disrupting economic and social activities in 2020, the year in which this study was conducted.

No.	Participants	Public Corporation	Department	Position	Staff Grade	Gender
1	Interviewee 1	Liberia Electricity Corporation	Finance & Accounts Department	Senior Financial Reporting Analyst	Middle Management	Male
2	Interviewee 2	Liberia Electricity Corporation	Billing & Revenue Management	Manager	Middle Management	Male
3	Interviewee 3	Liberia Petroleum Refining Company	Finance & Accounts Department	Chief Accountant	Senior Management	Male
4	Interviewee 4	Liberia Fisheries & Aquaculture Authority	Internal Audit Department	Audit Manager	Senior Management	Male
5	Interviewee 5	Liberia Fisheries & Aquaculture Authority	Procurement Department	Procurement Assistant	Middle Management	Male
6	Interviewee 6	Environmental Protection Agency	Technology Need Assessment Project	Coordinator	Senior Management	Male
7	Interviewee 7	NASSCORP	Internal Audit Department	Coordinator	Senior Management	Female
8	Interviewee 8	NASSCORP	Internal Audit Department	Audit Supervisor	Middle Management	Female

Table 3.2: Interview Characteristics. Source: Authors' Own Construction

3.2.5 Data Analysis Methods

Data analysis methods involve the techniques employed to attach meaning to the data collected. Bryman et al. (2011) note that clear-cut rules on how qualitative data analysis is conducted have not been developed. Saunders et al. (2009) describes the qualitative data analysis process as systematically summarizing, categorizing, and structuring data and using narratives to recognize relationships that support the researcher to give a grounded conclusion of the phenomenon being studied. It involves the researcher making sense of the volume of data collected by reducing the raw information to identify patterns, draw meaning from the data, and build a chain of evidence. Bryman et al (2011) posit that thematic analysis is one of the most common approaches to analyzing qualitative data. Other available approaches include grounded theory, discourse analysis, and narrative analysis (Bryman et al., 2011). Grounded theory involves building theory from data collected while narrative analysis involves providing a socially constructed explanation through stories and storytelling. On the other hand, discourse analysis has to do with approaches to the analysis of languages in a particular social context.

The qualitative data collected was analyzed using a form of thematic analysis called Template Analysis (*see appendix 3*). According to Saunders et al. (2009), template analysis combines a deductive and an inductive approach to qualitative data analysis. Since this study uses an abduction approach to research which is a combination of induction and deduction approaches, we adopt the template analysis as a suitable data analysis technique. With the template analysis, we summarized the data into categories that are related to first-level predetermined themes and second level themes or concepts revealed by the data collected (Saunders et al., 2009, Brooks and King, 2014). (*See appendix 3*). During the template analysis process, as suggested by

Saunders et al. (2009), we predetermined two themes, the needs for audit and the attributes of audit quality with the flexibility to be amended or added to when data are collected and analyzed.

However, using a Word® document, data collected by email interviews were summarized and categorized per themes focusing on information necessary to answer the central research questions of this study (*see appendix 4: Email Interview Transcription*). To conceal participants' identity, we de-identified them from their email responses and coded them as *Interviewee*. In a nutshell, different responses from participants regarding their perspectives of the needs for audit and the attributes of audit quality in the public sector were categorized into concepts that support the central themes. Thereafter, those categorized points were analyzed per themes using existing theoretical constructs and findings from prior literature.

3.2.6 Trustworthiness

Trustworthiness in qualitative research depends on how the data was gathered and processed (Given, 2008). How robust and thorough the data processing was conducted also matters. Saunders et al. (2009) suggest that it is necessary for the researcher to examine the data collection methods to ascertain the precision expectations of primary users. The trustworthiness of qualitative research has to do with whether the findings of the research can be trusted. It involves the quality of the research. In the literature, until the work of Lincoln and Guba (1985), the criteria used to judge the quality or trustworthiness of qualitative research has been vague and an issue of debate among researchers of different beliefs (Lemon & Hayes, 2020, Connelly, 2016). The quality criteria such as reliability, validity, generalization, and objectivity used to validate quantitative research have been criticized to be equally applied to qualitative research (Lemon et al., 2020, Korstjens and Moser, 2018). On this note, Lincoln and Guba (1985) as cited in Korstjens and Moser, (2018), offer *credibility, transferability, dependability, and confirmability* as the four best-known criteria of trustworthiness in qualitative research. Following Korstjens et al (2018), the four criteria can be summarized as: *Credibility* which is analogous to internal validity (Connelly, 2016) relates to the level of confidence readers placed in the findings of the research. Credibility criterion questions whether the findings represent the data originally gathered from participants and that the interpretations do not alter the participants' original views. Pitney (2004) asserts that findings that are regarded as meaningful and applicable by readers and practitioners are a better indicator of credibility in a qualitative study. *Transferability*- refers to how well the findings of the research can be applied in other

situations, or contexts. Transferability is achieved by thoroughly providing a description of the research context and the underlying assumptions (Lemon et al, 2020). *Dependability* corresponds with reliability which involves the stability of the findings over time and place. It reveals the consistency of the explanation of the findings across the data. Finally, *confirmability* corresponds with the objectivity of the research findings as to whether the interpretations of the findings are a true representation of the participants' lived experiences and not merely the researcher's imagination mirrored by biases.

The above four criteria offered by Lincoln and Guba (1985) can be used to check the trustworthiness of this study. We demonstrate the conformity of this research to the above four criteria through our choices of research methods including how careful we were with the data collection, data processing, and data analysis procedures adopted. To ensure the credibility of this thesis, we use non-standardized interview techniques to facilitate exploring participants' views and allowing them to freely express their knowledge and experiences of the subject being studied. The interview guide was formulated in a way to validate that participants were indeed employees of the selected organizations. Participants were randomly selected from middle and senior management levels of the case organizations to avoid participants' error and gather data based on varying perspectives of auditing in the public sector. This is a form of data triangulation where individuals' views and experiences can be verified against the other to build a solid explanation of the findings (Shenton, 2004). To avoid misinterpreting respondents' views of the subject, we summarize the email responses and maintain the originality of the data by not altering the meaning of their statements. Although it is difficult to apply findings of one study to another situation (Shenton, 2003), a thick description, or sufficient contextual information can be provided to enable transferability. We clearly describe the sample selection, the context of the study, and the level of participants considered to ease transferability of our findings. We ensure the dependability of the findings of this study by clearly documenting and keeping records of the phases of the research process ranging from problem formulation, interview guide, interview transcripts, and the data analysis methods. Shenton (2003) suggests that in order to test that the findings of the research are dependable or reliable, the process within the study should be reported in detail to enable the repetition of the work by future researchers. We limit the influence of our personal values, preferences, and biases in summarizing and interpreting the views of respondents to ensure the confirmability criterion of trustworthiness in this study. As suggested by Bryman et al (2011), we acted in good faith and

were objective in deriving the findings of this study by not favoring certain responses over the other or altering the respondents' views. We believe those practices are unethical.

3.2.7 Ethical Consideration

Ethical issues in research involve the researcher's relationship with the research participants regarding decision choices the researcher makes (Bryman et al., 2011 and Saunders et al., 2009). The researchers conducting qualitative research are expected to abide by ethical principles throughout the conduct of the research ranging from research design, data collection and analysis, and building and using findings of the research. According to Bryman et al (2011), ethics in business research can be adhered to following four main ethical principles. The researcher should be aware and keen to consider the possibility that there is harm to participants, lack of informed consent of participants, invasion of privacy, and deceiving participants.

However, we have taken some key ethical steps in our decision choices to conduct this study. We duly informed participants of the purpose of our study and asked their consent to participate through a written letter of request for participation (*see appendix I*). The interview guide was sent to those who were contacted and consented to participate. Since the interviews for this study were done through email interviews, respondents' identities were kept anonymous and confidential by renaming them as *Interviewee*. We also avoided sending one participant's information or answers to other participants which according to Saunders et al (2009) is unethical in email interviews.

4. Analysis

This chapter discusses the empirical findings of the research. First, in section 4.1, the need for audit in the public sector is discussed. We explain the need for public sector auditing as per the answers provided by participants and the conceptual explanation provided in the existing literature. Afterward, section 4.2 provides a discussion of the attributes of audit quality in the public sector perceived by participants. The views expressed by participants regarding the need for audit and the attributes of audit quality in the public sector are compared with views existing in the literature. From participants' responses, we identified new indicators that explain the need for audit and the attributes of audit quality in public corporations apart from those discussed in the literature review. We analyze these concepts and compare them with what prior studies have found and the related theoretical precepts. Finally, we use the new indicators together with the existing indicators in our literature review to present a conceptual model in section 4.3 that explains the needs for audit and the attributes of audit quality in practice in the public sector of a developing country. This model can fill the gap in the literature of a conceptual framework that can be used as a frame of reference for the need for audit and the attributes of audit quality in the public sector.

4.1 The need for Audit in Public Corporations in Liberia

Public sector auditing is needed to ensure that taxpayers' money is accounted for accurately and spent appropriately. In democratic settings, public officials who are entrusted with the management of public resources are expected to act and make decisions that benefit wider society. This is related to the assumptions of the Stakeholder theory (Scholl, 2001 & Wearing, 2005, Gomes, 2006) that the management of public organizations should identify and include the interests of a larger stakeholder in the governing process. The stakeholder theory is being applied in the public sector research where it is assumed that the interests of government on a managerial level represent the interest of other stakeholders (Lindgren, 2013). The interests of the public can be identified and considered in the implementation of public programs by conducting a need assessment (Scholl, 2001). This will ensure that government projects or the provision of public services meet the actual needs of the public and are worth their tax dollars. In this manner, audit plays an oversight role in verifying how public resources are spent and how public officials working in public sector organizations follow international standards and regulations in implementing public programs to create public value. In other words, public officials are responsible for their actions and decisions, including managing funds and

performance obligations. They should be open to third party scrutiny. Our results show that public sector audit is needed to strengthen financial accountability and transparency in public sector organizations. We find that audit promotes good governance in the public sector by exposing corrupt and other malpractices by public officials. It enables the public to hold accountable those charged with governance. Schelker and Eichenberger (2010) argue that auditors improve transparency, provide essential information on resources which leads to reduced wasteful spending. Public sector audit enables a thorough assessment of the extent to which public corporations are accountable and transparent in providing public services to citizens. Public sector audits can ensure public value is delivered by reporting on public sector accountability and creating an enabling environment for public organizations to effectively function (Hay et al, 2018). Empirical evidence from our interviews suggests that audit increases accountability and the level of trust and credibility of government entities through their financial statements produced. Interviewees provided evidence for our argument that an audit is needed for transparency and accountability in the public sector. This enables public corporations to efficiently and effectively deliver public goods and services.

“My organization engages the services of auditors for accountability and transparency since audit increases the value and credibility of the financial statements that we produce. We want to be seen as a credible and accountable institution in the eyes of our stakeholders- Donors, lenders, citizens, legislature etc. With external audit, we intend to improve our processes in order to deliver efficient and effective electricity supply to the citizens of Liberia as mandated by law.”(Interviewee 1, 2020).

“... As a state-owned entity, all the resources of the company are owned by the government (country) and are required to be managed properly to benefit the national good” (Interviewee 3, 2020).

“The potential benefits for audit in Public Corporation is to ensure accountability, transparency and that business processes and internal control complies with public institutions’ and government’s policies.”(Interviewee 5, 2020).

The auditors’ report and the annual financial statements of public corporations in Liberia are essential for providing accurate financial data for accountability and rational decision making of stakeholders. Evidence from our interview revealed that public officials perceived audit as a tool needed in the public sector for accountability and transparency, enhancing the credibility of public organizations, and boosting stakeholders’ trust. This finding agrees with Goodson, Mory, and Lapointe (2012) assertion that public sector audit is key in ensuring that public sector organizations achieve accountability and the confidence of citizens and stakeholders.

Public organizations ensuring accountability and transparency in the management of public resources means that they have employed monitoring mechanisms. Agency/Monitoring mechanisms are essential tools for accountability and transparency. The actions and decisions of public officials as agents elected by citizens who are their principals must be monitored to ensure that they are in the interests of society. Monitoring mechanisms can be an expensive endeavor in which citizens do not have the resources to underwrite the cost. The agency cost associated with monitoring agents to eliminate conflict of interest and asymmetry of information between the agents and the principals can be reduced by the principal hiring the services of an independent and objective auditor. The auditor reports on the financial statements in order to give the principals (such as shareholders, or Cabinet, Parliament, and voters) more confidence and reduce costs. In Liberia like most democratic societies, the activities of public organizations regarding the expenditure of funds to provide public services are assessed by an independent body, the Supreme Audit Institution (SAI) which is mandated by law. Although audits can sometimes be voluntary (Hay et al., 2018, Schelker, 2013), citizens demand audit through their legislators in order to hold public officials accountable for their financial management decisions and actions. Audit plays a key role in exposing inappropriate and unethical behaviors of those serving in public offices. We find that public sector audit can be used as a mechanism to detect fraud and reduce wasteful spending of public funds. Empirical evidence from the interviews conducted in public corporations in Liberia provides an agency/monitoring explanation for audits in the public sector. Respondents point out that audit is beneficial in ensuring that resources entrusted to public organizations are managed efficiently and appropriately to benefit the national good. This contributes to public value creation. Hay and Cordery (2018) posit that when audit aimed at the public it ensure that taxpayers' funds are well spent and public value delivered. Hay et al. (2018) similarly assert that without audit, there would be fewer resources available to public organizations to implement national programs. Participants expressed that audit plays a key role in monitoring the behavior of those charged with governance to detect and prevent fraud and to ensure that public resources are used in an economically efficient manner:

“Audit is good for agency/monitoring to reduce agency cost, improving the quality of auditees’ reports and improving efficiency and effectiveness in organizations.” (Interviewee 6, 2020).

“To ensure that the entity’s resources are managed efficiently and appropriately. As a state-owned entity, all the resources of the company are owned by the government (country) and are required to be managed

properly to benefit the national good. The audits are done to ensure that resources generated are efficiently used and are used as required...” (Interviewee 3, 2020).

“From my perspective, audit is especially useful in exposing corruption, wasteful spending, and lack of transparency and accountability in public sector organizations...” (Interviewee 1, 2020).

These views are in line with Goodson et al (2012) assertions that audit plays an oversight role that allows decision-makers to evaluate that public sector organizations are using public funds for the intended purpose and adhering to laws and regulations. Furthermore, an audit can be a mechanism to detect malpractices, fraudulent, and abusive acts. It serves as the basis for decisions regarding criminal prosecution and legal actions (Goodson et al., 2012). Audit deters fraud and abuse of public trusts and reduces the conditions that breed corruption by bringing to light inappropriate behaviors of public servants. To make public organizations’ control environments less conducive for concealing misappropriations of public funds, audit strengthened the audited organizations’ business processes and control environments through the identification of control weaknesses and presentation of audit recommendations that improve internal controls and business processes. Audit recommendations are intended to ensure that managers and officials conduct the public business with transparency, fairness, honesty, equity, and integrity (Goodson et al, 2012). We argue that improved internal controls and an adequate operating environment for conducting business activities create the platform for public sector auditors to perform an independent assessment and verification of which public programs or policies are working. Our argument conforms to those of Schelker et al. (2010) that auditors improve the transparency of public policy.

However, improving the internal controls and business processes of public corporations is one of the explanations for the need for audit in public corporations in Liberia as perceived public officials interviewed. They opined that the audit recommendations are intended to improve internal controls, minimize corruption, and prevent waste and abuse in the public sector. Hay and Cordery (2016) expressed similar views that audit provides value to stakeholders by assessing internal controls and issuing recommendations for controls improvements through unpublished management letters:

“Usually after the audit, a management letter is issued which includes relevant recommendations for the improvement of controls and reporting of financial activities. As such, audit leads to the improvement in the operating controls and also improvement in the reporting of the operations and state of affairs of the

entity. It reduces fraud and malpractices. As it is a requirement that the operations of the entity will be audited annually, and this could result in the uncovering of fraud and malpractices, this poses as a deterrence to such. It increases the credibility of management and the entity...” (Interviewee 3, 2020).

“The potential benefits of audits for public corporations is to help the government accomplish its objectives by strengthening internal control in an effort to minimize corruption and prevent waste and abuse in the public sector.”(Interviewee 4, 2020).

Based on these findings, we argue that improved internal control and enhanced business process flows are pivotal in setting the stage to adequately monitor agents’ activities to ensure transparency and accountability of the resources they manage. Internal controls mean that resources are managed in accordance with prescribed directives and not misused (Gustavson, 2012). The misuse or misapplication of public resources undermines the contributions public corporations make to wider society. The implementation of sound internal controls can support the integrity of public policies (Schelker et al., 2010) and contribute to detecting and preventing fraud and corruption schemes (Hay et al., 2010). Audit advises the management of public sector organizations to report on control weaknesses and identify and manage high-risk areas in their business activities. By adhering to these recommendations, the management of public organizations can improve controls to efficiently manage resources, reduce losses, and deliver the public value. It is evident by the views of respondents that improved internal controls are mechanisms for a robust presentation of reports on the operations and state of affairs of public organizations. Strong internal controls support the quality of financial reporting of the audited organizations and increase the credibility of management. We argue that the quality of the financial reporting environment and financial statements leave stakeholders with enough confidence and trust in the governing systems of public sector institutions.

Consequently, we provide an explanation that audit is needed in public corporations to give stakeholders confidence and assurance that the organization’s financial position and operating performance are accurately presented. Interviewee 1, Interviewee 2, and Interviewee 3 present evidence for this explanation. They stressed the potential benefits of audit in enhancing the reasonableness of financial statements and instilling confidence among stakeholders and citizens by providing an objective view of how funds are used to implement public programs:

“Since we are a Public Corporation accountable to the citizens, audit helps to provide our stakeholders an objective view of how we utilize funding received for public projects” (Interviewee 1, 2020).

“To enhance reasonableness of financial statements, improve compliance (both internal policies and accounting standards), and provide assurance and comfort to investors and stakeholders.” (Interviewee 2, 2020).

“Audit results into the assurance that the financial statements present a true and fair view of the organization. With this assurance, confidence in the management and the operations of the entity is increased, thereby opening new business avenues and opportunities for the entity.” (Interviewee 3, 2020).

A number of Interviewees expressed the vital role of audit in providing assurance to stakeholders about the accuracy and fairness of financial information being reported by public sector organizations. This helps to increase the confidence and trust that citizens placed in government institutions entrusted with managing public resources. Similarly, Hay and Cordery (2016) posit that audits help stakeholders (citizens) who cannot directly observe the activities of public organizations to build trust and confidence in government and the public sector. This can be linked to the agency theory explanation (Sulaiman, 2011) that audit contributes to reducing information asymmetry between agents and principals. Information asymmetry means that public officials have access to superior information about the activities of public corporations than the citizens who put them in power. Therefore, audit serves as a medium for keeping citizens informed about the accuracy of financial information within the public sector. This allows the citizens to make informed decisions about the alignment of their interests with those of public managers. It increases their trust and confidence in those charged with managing their resources.

To summarize this section, we highlight that empirical evidence gathered from public officials interviewed in public corporations in Liberia perceived four central explanations for the need for audit in the public sector. These modular explanations can be summarized as (1) Accountability and Transparency, (2) Agency/Monitoring, (3) Improving Internal Control & Business Process, and (4) Confidence and Assurance for Stakeholders.

4.2 Audit Quality Attributes in Liberia’s Public Corporations

Audit quality in the public sector is perceived to be characterized by the auditor’s independence which can be connected here to the auditor’s competence and professional experience, audit personnel salaries, and audit partner or manager’s attention to the audit. Auditor’s independence is fundamentally important for the quality of audit services rendered. The quality of the financial

reports of public sector entities is viewed highly and can be relied upon by the public when the auditors are deemed independent and can express an unbiased and honest professional opinion about the financial statements. In the public sector, auditor's independence can be seen as a situation where the auditor is free from conflict of interest with the public corporation being audited. That means his or her professional judgment is not subject to undue influence from any party that has an interest in the results of the audit performed. The auditors should be independent in facts (Kusumawati and Syamsuddin, 2017) and avoid circumstances that will make other parties doubt their independence and professional judgment regarding audit quality. Furthermore, an auditor is independent when he or she is able to report material breach uncovered in the client's financial statements (DeAngelo, 1981) without fear or favor or national government interference. Based on our findings, we argue that the auditors' honest and objective opinions add value to the audited organizations and credibility to financial reporting. Auditors' independence also saves auditors their profession in terms of reputation and audit liabilities arising from audit failures. DeFond and Zhang (2014) argue that audit quality is a function of auditor's independence and competency and associate auditor's independence with low risk of litigation.

Besides, participants' views from public corporations in Liberia sanctioned these explanations that the auditor's independence is important for audit quality. They stressed that the unbiased and impartial opinions of auditors mean they are free from conflict of interest which reflects their independence that transforms into audit quality and the quality of financial reporting. In Liberia, government organizations often come under public scrutiny to account for funds allocated to them, and sometimes there are allegations levied against public officials for misappropriation of public funds (Lee-Jones, 2019). Public sector auditing becomes a key factor to ease the doubts of stakeholders and the citizens and create avenues for additional financing for public projects. In this manner, the opinion of an independent auditor is desirable for stakeholders to rely on the financial statements for rational decision making:

“...An independent auditor will make the public or stakeholders to trust and rely on the financial statements for decision making. The objective views of auditors are valuable for both their profession and the quality of financial reporting of their client.”(Interviewee 1, 2020).

“Audit independence is important so that the auditor's opinion can be impartial, unbiased and free from any undue influence or conflict of interest to override the professional judgment of the professional accounting.”(Interviewee 4, 2020)

. “Audit in itself is centered on independence and accountability. Therefore, for an audit to be independent, the auditor must not be biased and this feeds into giving an independent opinion that will transform into the quality of the audit.”(Interviewee 5, 2020)

Interestingly, these perspectives can be compared to those given by Barrett (1996) and DeFond and Zhang (2014) that the quality of auditing in public organizations becomes higher when the auditor is independent. Participants expressed the views that when the auditor becomes less objective and with the preconceived notion that the public official is corrupt and fraud, it becomes a major impediment to audit quality. In their views, audits in Liberia public corporations are often triggered by witch-hunt and politically hidden agendas to uncover an alleged fraud or corruption. As such, the auditee is presumed fraudulent before the audit is conducted. Practically, the auditor is not seen as objective, honest, and independent as their attitudes and competence should reflect. Their professional judgment is often not taken seriously when they are not independent in facts and appearance. This means the results and recommendations that are issued by these auditors are not implemented by the auditees and they do not add any value to the audited organizations:

“In my opinion, the main weaknesses are, there are less objective staff and insufficient funding. I have observed that most of the public sector auditors that I have interacted with are less objective. They usually come with the preconceived mindset that fraud is presence and that staff are corrupt. Approaching the audit in this form and manner only reduces the quality of the work. Also, lots of the auditors have strong political affiliation which they don’t care to show less of. They always come to the audit with some hidden agenda instead of performing their duties professionally...” (Interviewee 3, 2020).

“The main weakness in public sector audit is that it is not actually transparent. Most often, audits are triggered due to witch-hunt. Therefore, the auditee is presumed fraudulent even before the audit begins.” Interviewee 5, 2020).

Auditors are not considered independent and competent enough to express an opinion on clients’ financial affairs if they are subject to the influence and interests of other parties. Auditor independence is a fundamental concept of the agency theory (Schelker, 2013) and the essence of an audit. The theory explains that the auditor should be an independent third party who expresses an objective and honest opinion of the accuracy of the information disclosed by the agents to their principals.

Auditors' independence can be measured by their competence and professional experience as well as their financial independence. Participants viewed the auditor's competence and financial independence as important attributes of audit quality in the public sector. From the respondents' perspectives, auditors' competence is termed as their professional qualification, knowledge, and experience while financial independence is viewed as audit personnel salaries and availability of funding for logistical needs. We find that low salaries or earnings of auditors and the lack of funds to conduct the audit impacts auditors' independence and audit quality. This finding is a new indicator as an attribute of audit quality in the public sector that was not discussed in the literature review. It adds to the work of Hoopes, Merkley, Pacelli, and Schroeder (2017) that low audit personnel salaries decrease audit quality. Respondents revealed that in the public sector when auditors are not well paid, they become demotivated and vulnerable to be compromised by auditees or other interest groups.

“...The other weakness of insufficient funding, helps in compromising the independence of the auditors. Where the auditors are not well compensated and their activities fully supported, they are left vulnerable and are easily compromised and manipulated by the auditees.”(Interviewee 3, 2020).

“...underpayment of some auditors have caused the demotivation of those individuals and the lack of some essential working tools e.g. (stationery, printer) to conduct audit.” (Interviewee 8, 2020).

Furthermore, based on our findings, we argue that auditors' independence is related to and can be impacted by their competence. Both attributes are essential for defining audit quality as proposed by DeAngelo, (1981). Competency is rooted in the auditor's professional expertise as a result of acquiring formal education and participating in training and seminar. Auditors can gain experience through continuous professional practice. We argue that a competent auditor is a well capacitated, knowledgeable, and experienced auditor who can detect accounting issues in clients' records and proffer relevant recommendations for improvement. In this way, the audit quality is seen very high because the auditor is honest and vigilant with the ability to trace facts and figures and communicate audit results clearly and concisely. The quality of information disclosed in the audit report tends to give the auditees better insight into the next course of action for improvement. Participants' expressed the views that the deployment of less experienced and incompetent auditors who lack the requisite training and experience and adequate knowledge of the client's business impacts audit quality. They opined that this is a major weakness remaining in public sector auditing in Liberia. In their views, when the audit is

staff with competent and experienced audit team members, it adds value to the audit process and reduces biasness and unprofessionalism:

“When an audit is staffed with competent and experienced team members. Competent and experienced staff add value to the audit process, and are usually void of bias and unprofessionalism.” (Interviewee 3, 2020).

“The lack of experienced professional auditors’ involvement with the audit process to ensure that the auditor and the client are both adhering to professional standards in my opinion terribly influences the quality of audit services being provided to public corporations. The auditors’ independence and their competence also matter for a quality audit.” (Interviewee 1, 2020).

These empirical findings from our interviews agreed with Gustavson (2015) who finds that the lack of education and expertise among auditors in developing countries creates capacity constraints for audit agencies and impacts the audit assignments. Also, Morin (2004) finds that poor information disclosure in municipals’ Value for Money Audit (VFMA) does not add value to the public organization, and it is attributed to the auditor incompetence and lack of professional qualification and expertise to conduct such audit. Furthermore, the results of our interviews conducted in the public sector of Liberia revealed that the total involvement of senior and more experienced and qualified auditors in the audit process improves audit quality and adds value to the clients.

“...On the other hand, some government organizations are very complex and would require the total involvement of experienced staff members of the audit team for supervision of the quality of work performed by junior staff. From my experience, the hands on involvement of audit supervisor, audit manager, and audit partner throughout the audit process is lacking and this decreases audit quality.” (Interviewee 1, 2020).

Respondents feel that there are less deployment and involvement of audit supervisor, audit manager, and audit partner throughout the audit process and who are experienced enough to supervise the work of junior auditors to ensure quality audit services. Participants viewed this as a weakness remaining in public sector audit in Liberia that decreases audit quality. This agrees with findings from Bennie and Taylor (2016) that audit partner or manager’s attention and involvement with the audit process improves audit quality and are valuable to the clients. In addition to the concepts discussed above as attributes of audit quality in the public sector, we find reduced audit efforts by auditee and auditor and the reputation of audit firms as outlier data points. The participants in their majority did not contribute to the discussion of how these

concepts influence public sector audit quality. We, however, excluded audit efforts by auditee and auditor during the audit process and the reputation of audit firms from our core analysis of the attributes of audit quality. We considered them as extreme data with low empirical backings since participants avoided them.

In summary, we recast that participants perceived the attributes of audit quality in public corporations in Liberia’s as involving four interrelated concepts: (1) Auditor’s independence (2) Auditor’s Competence, (3) Audit partner or Manager’s attention to the audit, and (4) Audit Personnel Salaries.

The views incorporated in our analysis were gathered from a small sample of participants working in public corporations in Liberia. This may seem to threaten the validity of our findings. Nonetheless, the data collected from these participants were detailed and sufficient to satisfy the objective of this study. We believe responses from additional participants would have been repetitive without any real value.

4.3 Conceptual Framework

Conceptual Framework

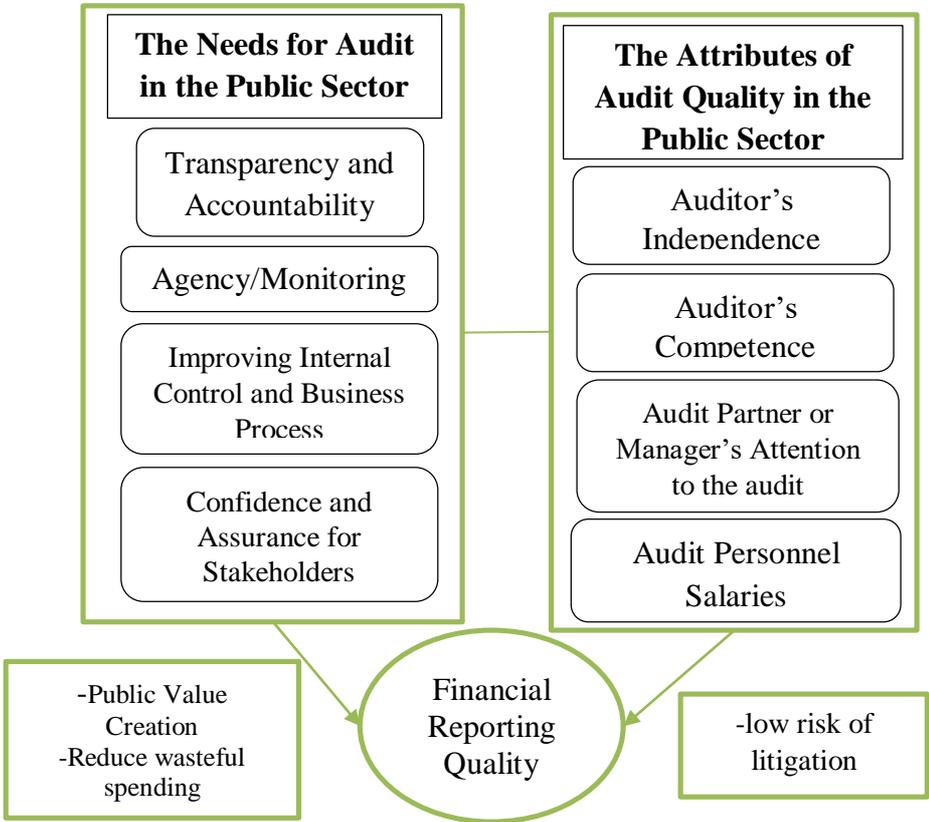


Figure 4.1 Conceptual framework (Authors’ Construction)

In our framework shown in figure 4.1 above, we present concepts from our findings and the literature that explain two ideas, (1) the need for audit in the public sector and (2) the attributes of audit quality in the public sector. We show that these ideas are supportive of the quality of financial reporting in public sector organizations. We explain that the new indicators, as a result of our findings, distinguish our results from those discussed in the literature review.

4.3.1 Framework for the need for audit and the attributes of audit quality in the Public sector

The above framework provides an explanation of the need for audit in the public sector and what factors are perceived to influence the quality of public sector audit. As depicted by figure 4.1 above, in the first theme, Our results show that public officials perceived that audit is needed for transparency and accountability, agency/monitoring, improving internal controls and business process, and increasing confidence and assurance of stakeholders. In the second theme, we find that public officials perceived audit quality to be influenced by auditor's independence, auditor's competence, audit partner or manager's attention to the audit, and audit personnel salaries.

Using empirical evidence from our interviews and the literature, we argue that audit promotes accountability and transparency in the public sector. In accordance with the analysis of our results, the audit report communicates and informs citizens and stakeholders of how well public officials are managing public resources entrusted to them. When public officials efficiently and effectively manage public funds and are open to third party scrutiny through audits, they are transparent and accountable. This creates an enabling environment for public corporations to deliver public goods and services which benefits wider society. This is the public value creation as argued by Hay, Simpkins, and Cordery (2016). We also found that public officials perceived audit as a mechanism that reduces cost in terms of wasteful spending, fraud, and malpractices. This is linked to the agency/monitoring explanation for the role of audit given by Hay et al (2018). Arguing from the perspective of the agency theory, audit is needed to reduce agency costs while serving as a monitoring mechanism. Audit reduces cost by detecting and reporting on fraud, corruption, and unethical behaviors' of public officials. As argued by Goodson et al., (2012), audit serves as a deterrence that discourages corruption and other malpractices in the public sector. Our results show that audit is perceived to improve the accounting information system of public corporations. Audit recommendations issued through unpublished

management letters are intended to improve the internal controls and the way public corporations do business. We argue that when there are strong controls and process flows in place, it reduces the possibility of corruption, fraud, and wasteful spending in public corporations. Improved internal controls and control environments also increase the quality of financial reporting for public corporations. Quality financial reports mean that financial information is accurate and reliable and can be used by stakeholders to make rational decisions. We find that audit provides confidence and assurance for citizens and stakeholders that the financial information is accurate and reliable. In summary, we argue that when public officials are accountable and transparent, their financial decisions monitored and reported on, and the processes within public organizations are improved as a result of audit, it lowers wasteful spending and corruption and increases financial reporting quality.

Our finding that audit improves internal controls and business processes in the public sector organizations is different from the concepts in the literature (Goodson et al, 2012, Giroux et al, 1992, Gustavson, 2015, Hay et al, 2018, Schelker, 2013) that explain the role of audit in the public sector. In fact, this finding makes our framework different from frameworks in the private sector auditing literature (Giroux et al, 1992, Financial Reporting Council, 2008, Greenwood and Zhan, 2019).

Furthermore, in the second part of our conceptual framework, we find evidence that audit quality can be attributed to the auditor's independence, auditor's competence, the attention of the audit partner or manager to the audit process, and audit personnel salaries. From our analysis, we argue that when the auditors are independent they give an objective opinion which increases the quality of audit services. However, to be independent, an auditor has to be competent to detect misstatements before objectively reporting on those misstatements. We also present in our framework that a more senior auditor such as audit partner or manager involvement in the audit process increases audit quality. Our argument agrees with DeFond and Zhang (2014), DeAngelo (1981), Bennie and Taylor (2016), Gustavson (2015), and Schelker (2013) that auditor's independence, competence, and senior auditor's attention to the audit process increase audit quality. Our conceptual framework presents audit personnel salaries as an attribute of audit quality perceived by public officials. Based on our findings, when audit personnel is well paid and their logistical needs are taken care of, they maintain their integrity and objectivity in rendering audit judgment. This increases audit quality. This attribute of audit quality makes our framework different from the concepts discussed in the literature review. We

portray in our framework that these attributes of audit quality improve public sector financial reporting quality and lower the risk of litigation.

Although the number of participants in this study can be seemed to threaten the validity of our findings and the above explained conceptual model, we believe that the data that support our findings are adequate. A majority of the respondents from the five organizations provided detailed explanations of how they perceived the need for audit and the attributes of audit quality in the public sector. In order words, participants gave rich data that answer our research questions.

5. Conclusion

Middle and senior management staff (public officials) are charged with the responsibilities of managing the daily operations and financial affairs of public corporations in Liberia. We considered them well-positioned to provide information on the needs for audit in the public corporations and possible attributes that influence the quality of audit in practice. This thesis formulated two overarching research questions: (1) How do middle and senior staff perceive the need for audit in Public Corporations in Liberia and (2) What factors or attributes influence audit quality per the perspectives of middle and senior management staff in Public Corporations in Liberia. It can be concluded that middle and senior management staff perceive that audit is needed in public Corporations in Liberia to ensure transparency and accountability, agency/monitoring, improved internal control and business processes, and confidence and assurance for stakeholders. Additionally, our results reveal that public officials perceived auditor's independence, auditor's competence, audit partner or manager's attention to the audit, and audit personnel salaries as important attributes that influence audit quality in public corporations in Liberia.

However, respondents stressed that there is a need for an audit to enhance accountability and transparency in public corporations and to improve their internal controls systems. We find empirical evidence that transparency and accountability encourage the efficient management of public resources for public value creation and an improved business process hinders the unethical behavior of public officials and reduces wasteful spending. From our analysis, we argue that audits in public corporations are associated with improving the quality of financial reporting. Respondents placed more emphasis on auditor's independence and auditor's competence as attributes that influence audit quality in public corporations. We find that competency is associated with the auditor's professional knowledge, skills, and experience that can be used to detect misstatements. Independence relates to the auditor's ability to report misstatements detected without fear or favor. These attributes can contribute to the quality of financial reporting in public sector organizations and lower risk of litigation for auditors.

Nonetheless, we found improved internal controls and business process as a reason for audit and audit personnel salaries as an attribute of audit quality in the public sector to be different from concepts discussed in the literature. We used these two findings together with other concepts in the literature backed by the results of our study to present a conceptual framework.

We organized these concepts to build an explanation for the need for audit and the attributes of audit quality in the public sector of a developing country.

Our study incorporates views from a small sample of participants from the case organizations due to some respondents' unwillingness to provide answers to our emails. Academics may question the strength of our findings due to small number of participants, but this is typical of qualitative studies (Saunders et al, 2009) that use the same philosophical position and research methodologies like this study. Moreover, our findings are well supported by the data sufficiency of this study. We gathered adequate data from respondents that answer the research questions and meet the objective of this study. We are confident that additional data from participants would have led to a repetition of information that adds no value to our study.

5.1 Research Contribution

The findings of this study contribute to the existing public sector literature in explaining how public officials in public corporations perceived the need for audit and the attributes of audit quality. The study presents findings from the context of a developing country. Our study adds to the works of Gustavson (2015), Hay and Cordery (2018), Schelker (2013), and Hay, Simpkins, and Cordery (2016) to organize a conceptual framework that provides an explanation for the need for audit and what attributes influence audit quality in the public sector. This study confirms that audit is needed to increase accountability and transparency, agency monitoring, improve internal controls, and provide confidence and assurance for stakeholders in public corporations in a developing country. We also contribute additional findings that audit quality in public corporations is associated with auditor's independence, auditor's competence, audit partner or manager's attention to the audit, and audit personnel salaries. The role of audit in improving internal controls and business processes and audit personnel salaries as an attribute of audit were two findings that this study contributes which are less discussed in the public sector auditing literature (Gustavson (2015), Hay and Cordery (2018), Schelker (2013), and Hay, Simpkins, and Cordery (2016).

This study is valuable and beneficial for public sector audit researchers looking to conduct a similar study in a developing country. It also broadens the knowledge of public officials of the need for audit and what factors influence audit quality in public corporations in Liberia. Those in public offices can embrace audit since there is empirical evidence that audit recommendations improve their internal process, lower wasteful spending, and improve the

quality of financial reporting. Public sector auditors can maintain audit quality by following the attributes of audit quality. Overall, this study provides knowledge on how public officials in public corporations in Liberia perceived public sector auditing.

5.2 Recommendations for future research

We provide recommendations for future research using the limitations of our study. Firstly, we collected detailed and sufficient data that support our findings and believed that additional data from other participants would have led to repetition of information. In spite of that, we recommend that future research on this subject in a similar or different context should consider larger sample size. Future research based on interviews with more participants may uncover other results in another case. Secondly, we used the perspectives of middle and senior level management staff across different departments to gather diverse views since they are well-informed of the operating and financial affairs of public corporations. However, future research could look into getting the views of other level of staff in the audit or accounting department. Thirdly, apart from using email interviews as a qualitative method of data collection that was used in this study, we recommend that future research apply face-to-face interviews or observations. These methods might provide other interesting results. Fourthly, this study could not ascertain how receptive public officials are to the public sector auditors and the level of government interference with public sector auditing regarding audit quality. We recommend that future research in a developing setting, such as in Sub-Saharan Africa, consider finding results in these areas.

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Appendix 1: Request for Participation

Request for Participation

2020-04-08

Dear Sir/Madam:

We write to request your candid participation in our qualitative research on the topic “**The perceived needs for Audit and Audit quality In the Public sector: Case of Public Corporations in Liberia**”. This master thesis project is the final requirement and a prerequisite for us to obtain Master’s degree in Auditing and Control from Kristianstad University, Sweden. In so doing, we are kindly asking you and two or three middle management staff in the accounting and auditing departments to answer the attached interview questions. Responses provided will be integrated in our thesis. We also wish to have an interview with you or other participants via whatsapp or other means at your convenient time.

We are aware of the ethics that guide our professions, so we promise to keep your personal information confidential and anonymous.

We look forward to receiving your responses and a successful degree project.

Sincerely yours,

Josephine Boakai &
Sotheary Phon

Appendix 2: Interview Guide

Interview Guide

Demographics

Name:

Position:

Gender:

Nationality:

Corporation:

Telephone #:

The Needs for Audit in Public Corporations

1. What are the reasons for audits in your organizations?
2. What are the potential benefits of audit for Public corporations?
3. What is the most useful element of audit in the Public Sector?

The Attributes of Audit Quality in Public Corporations

4. One of the factors of Audit quality is Auditors Independence. Why is it important for government auditors to be independent? E.g. It is important for:
 - ✚ Unbiased Opinion
 - ✚ Quality of Financial report
 - ✚ Quality of Audit conducted
5. What is the main weakness remaining in the Public Sector audit?
6. From your perspective, what attributes influence the quality of audit conducted in Public corporations?
7. In your organization how do you determine whether a quality audit has been conducted?
8. If given the chance what would you do to improve audit in public corporation?
9. Is there anything else you will like to add that we have not asked you?

Appendix 3: Template Analysis

The Needs for Audit In The Public Sector			
No	Questions		
1	What are the reasons for audits in your organizations?	For accountability and transparency	Transparency & Accountability
		To provide assurance to the stakeholders that the financial statements present a true & fair view	Confidence and assurance
		To ensure that the entity's resources are managed efficiently and appropriately	Improving Internal Control & Business Process
		To improve Internal Control and Business Processes to deliver efficient and effective public services	Improving Internal Control & Business Process
2	What are the potential benefits of audit for Public corporations?	Improvements in operating controls and financial reporting environment	Improving Internal Control & Business Process
		It increases the credibility of management and the entity by providing stakeholders an objective view of how Public officials utilize funding received for public projects	Confidence and assurance
		Audit ensure accountability and Transparency	Transparency & Accountability
		Audit detects and prevents fraud or reduces fraud and malpractices (Audit ensure compliance and prevent corruption and Wasteful spending)	Agency/Monitoring
		Increases the efficiency and effectiveness of an entity's operations and reliability and integrity of reports	Improving Internal Control & Business Process
		Instil confidence and assurance to stakeholders	Confidence and assurance
3	What is the most useful element of audit in the Public Sector?	Good governance & Accountability and Transparency	Transparency & Accountability
		Efficient and Effective management of the entity's resources	Improving Internal Control & Business Process
		Competent Audit Team Leader	Agency/Monitoring
		Unrestricted Access given to Auditors for entity's information	Improving Internal Control & Business Process
		Audit is useful in exposing corruption, wasteful spending, and ills in the governance of public sector organizations	Agency/Monitoring

Attributes of Audit Quality in the Public Sector			
4	Why is it important for government auditors to be independent?	Independent Auditor issues unbiased opinion	Auditor's Independence
		The objective views of auditors are valuable for the quality of financial reporting of their client.	Auditor's Independence
		Auditor's independence is important for audit quality	Auditor's Independence
5	What is the main weakness remaining in the Public Sector audit?	National Government interference	Auditor's Independence
		Less objective and inexperienced Audit staff (Auditors with preconceived mindset that the client is fraudulent)	Auditor's Independence
		Insufficient funding to paid audit staff compensation and take care of auditors' logistical needs	Audit Personnel Salaries
		Public sector audit is not transparent. It is initiated because of witch-hunt	Auditor's Independence
		Less involvement of Audit Managers, Audit partners and other senior level staff in the audit process	Audit Partner or Manager's Attention to the Audit
6	From your perspective, what attributes influence the quality of audit conducted in Public corporations?	Auditors' independence (Lack of honesty and integrity on the part of auditors)	Auditor's Independence
		When an audit is staffed with competent and experienced team members	Auditor's Competence
		Auditor-Client familiarity due to long stay	Auditor's Independence
7	In your organization how do you determine whether a quality audit has been conducted?	When the report has relevant recommendations that lead to improvements in the control environment	Auditor's Competence
		Professional qualification, knowledge, experience and competence of auditor	Auditor's Competence
		Independence of the auditor	Auditor's Independence
		The quality of audit procedures derived and followed to conduct the audit and follow-up for execution of audit recommendations	Auditor's Competence
8	If given the chance what would you do to improve audit in public corporation?	Audit Quality Control measures to be implemented in audit institutions	Audit Partner or Manager's Attention to the Audit
		Improve auditors' independence	Auditor's Independence
		Intensive Training for auditors to be competence and exercise professionalism, professional scepticism, ethics and integrity	Auditor's Competence
		Increase audit efforts from both client and auditors (Involvement of senior level auditors in the audit process) and implement audit recommendations	Audit Partner or Manager's Attention to the Audit
		Audit efforts from auditee and auditor and Audit firm Reputation	Outlier

Appendix 4: Email Interview Transcription

The Needs for Audit in Public Corporations

1. What are the reasons for audits in your organizations?

Interviewee 1: *My organization engages the services of auditors for accountability and transparency since audit increases the value and credibility of the financial statements that we produced. We want to be seen as a credible and accountable institution in the eyes of our stakeholders- Donors, lenders, citizens, legislature etc. With external audit, we intent to improve our processes in order to deliver efficient and effective electricity supply to the citizens of Liberia as mandated by law.*

Interviewee 2: *To enhance reasonableness of financial statements, improve compliance (both internal policies and accounting standards), and provide assurance and comfort to investors and stakeholders*

Interviewee 3: *To ensure that the entity's resources are managed efficiently and appropriately. As a state-owned entity, all the resources of the company are owned by the government (country) and are required to be managed properly to benefit the national good. The audits are done to ensure that resources generated are efficiently used and are used as required; to provide assurance to the stakeholders that the financial statements present a true & fair view. Annually, state-owned entities are required to provide financial statements that represent the facts of happenings during the fiscal year. These financial statements are subject to audit to give the assurance that they are prepared in accordance with the reporting guidelines, all relevant notes and disclosures are included, and that they represent the operations and state of affairs of the company; to satisfy statutory requirement, state owned entities are required by law to be audited;*

Interviewee 4: *The reason for audit within the public corporation in Liberia is to examine and evaluate the financial and operational activities of all government entities. To keep a check on compliance with rules, regulations, systems, policies, and procedures prescribed by the government entities, or by regulatory authorities. Audit is an important and integral part of the control system of the government entities, which ensures that necessary controls are in place in the financial and operational activities of the client entities.*

Interviewee 5: *Audits in my organization are meant to ensure that internal controls and business processes especially within finance, procurement and human resource are strengthened.*

Interviewee 6: *To assure the public and Donors about the Organization's Credibility and to attract their Confidence and trust.*

Interviewee 7: *Audit is for the purpose of aiding the Corporation to accomplish its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness and efficiency of corporate governance, risk management and internal controls systems in achieving the Corporation's goal.*

Interviewee 8: *Audit is conducted to provide an independent, objective, assurance and consulting activity designed to add value and improve our organization's operations. It is performed to bring a systematic, and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes in our organizations.*

2. What are the potential benefits of audit for Public corporations?

Interviewee 1: *Audit provides management of public corporations with confidence in their financial statements. Audit plays a key role in providing additional assurance to public corporation's management as to the adequacy of the internal control processes in managing finances to deliver services effectively. Audit is valuable in improving our process and control environment. Since we are a Public Corporation accountable to the citizens, audit helps to provide our stakeholders an objective view of how we utilize funding received for public projects.*

Interviewee 2: *Audit ensure Compliance, Prevent and detect fraud and System improvements*

Interviewee 3: *Usually after the audit, a management letter is issued which includes relevant recommendations for the improvement of controls and reporting of financial activities. As such, audit leads to the improvement in the operating controls and also improvement in the reporting of the operations and state of affairs of the entity. It reduces fraud and malpractices. As it is a requirement that the operations of the entity will be audited annually, and this could result in the uncovering of fraud and malpractices, this poses as a deterrence to such. It increases the credibility of management and the entity. Audit results into the assurance that the financial statements present a true and fair view of the organization. With this assurance, confidence in the management and the operations of the entity is increased, thereby opening new business avenues and opportunities for the entity.*

Interviewee 4: *The potential benefits of audits for public corporation is to help the government accomplish its objectives by strengthening internal control in an effort to minimize corruption and prevent waste and abuse in the public sector.*

Interviewee 5: *The potential benefits for audit in Public Corporation is to ensure accountability, transparency and that business processes and internal control complies with public institutions' and government's policies.*

Interviewee 6: *Audit is good for agency/monitoring to reduce agency cost, improving the quality of auditees' reports and improving efficiency and effectiveness in organizations*

Interviewee 7: *Audit helps instil confidence among citizens and stakeholders by achieving accountability, integrity and improve the operations of Public Corporation. It helps entity to achieve its objective by increasing operational efficiency and effectiveness and reliability and integrity of financial and operational information. It safeguard resources and ensure compliance with laws and regulations*

Interviewee 8: *Audit provide reasonable assurance that an organization's business is conducted in an orderly and efficient manner. Audit safeguard resources, detect theft, fraud,*

errors and ensure reliable accounting data. It ensure that resources are used in an economically efficient manner.

3. What is the most useful element of audit in the Public Sector?

Interviewee 1: *From my perspective, audit is especially useful in exposing corruption, wasteful spending, and lack of transparency and accountability in public sector organizations. Audit also identifies opportunities for improvements in internal controls and in financial systems and operations of public sector organizations.*

Interviewee 2: *The most useful element of audit is Good governance*

Interviewee 3: *A very competent leader - the head of the audit must demonstrate his/her competence by how independently and effectively he/she recruits, retains, and manages highly skilled staff without unnecessary managerial or political influence or interferences. **Organizational independence** – an independent audit organization performs its audit work without interference by the entity under audit. Also, for the organizational independence to be maintained, there should be sufficient funding to finance the audit activity. **Unrestricted access** – the auditors should be granted and given unrestricted access to employees, property, and records as appropriate for the performance of audit activities. This is the only way the audits will be conducted with full completeness. **A formal mandate** – the audit activity’s powers and duties should be established by laws, charter, or other basic legal document; **objective staff** – the audit staff must have impartial attitudes and avoid any conflict of interest; **competent staff** – all audit staff must comply with minimum continuing education requirements established by their relevant professional organizations and standards; **professional audit standards**; and **stakeholder support**.*

Interviewee 4: *The most useful element of public sector audit is providing quality assurance and improvement in the way public sector organizations are being managed.*

Interviewee 5: *The most useful element for audit is to ensure accountability, transparency and ensure that public corporations complies with internal and government’s policies.*

Interviewee 6: *Providing useful audit function and indirect benefits for the public or the wider society.*

Interviewee 7: *Audit is useful for accounting and budget control, accurate financial statements, and efficient management of resources.*

Interviewee 8: *Audit is useful for adequate control environment, risk management, monitoring, accurate information and communication, and efficient management of resources.*

The Attributes of Audit Quality in Public Corporations

4. One of the factors of Audit quality is Auditors Independence. Why is it important for government auditors to be independent?

Interviewee 1: *Government organizations are under tremendous pressure and scrutiny for funds allocation and allegation of misappropriation of resources and as such it is important for all parties to an audit to be independent. An independent auditor will make the public or stakeholders to trust and rely on the financial statements for decision making. The objective views of auditors are valuable for both their profession and the quality of financial reporting of their client.*

Interviewee 2: *Auditor's independence is important for unbiased opinion*

Interviewee 3: *Auditor's independence is important for unbiased opinion, quality of financial report or audit quality.*

Interviewee 4: *Audit independence is important so that auditor's opinion can be impartial, unbiased and free from any undue influence or conflict of interest to override the professional judgment of the professional accounting.*

Interviewee 5: *Audit in itself is centered on independence and accountability. Therefore, for an audit to be independent, the auditor must not be biased and this feeds into giving an independent opinion that will transform into the quality of the audit.*

Interviewee 6: *Auditor's independence is important for unbiased opinion, quality of financial report or audit quality.*

Interviewee 7: *Auditor's independence is important for unbiased opinion, quality of financial report or audit quality*

Interviewee 8: *Auditor's independence is important for unbiased opinion, quality of financial report or audit quality*

5. What is the main weakness remaining in the Public Sector audit?

Interviewee 1: *Government organizations need high quality audit services to understand the depth of issues they are faced with. One main weakness related to conducting audit in the public sector is audit efforts exerted by auditees in ensuring that auditors have open access to needed information in performing their audit. On the other hand, some government organizations are very complex and would require the total involvement of experienced staff members of the audit team for supervision of the quality of work performed by junior staff. From my experience, the hands on involvement of audit supervisor, audit manager, and audit partner throughout the audit process is lacking and this decreases audit quality.*

Interviewee 2: *National Government interference and execution of audit recommendations*

Interviewee 3: *In my opinion, the main weaknesses are, there are less objective staff and insufficient funding. I have observed that most of the public sector auditors that I have interacted with are less objective. They usually come with the preconceived mindset that fraud is present and that staff are corrupt. Approaching the audit in this form and manner only reduces the quality of the work. Also, lots of the auditors have strong political affiliation which they don't care to show less of. They always come to the audit with some hidden agenda instead of performing their duties professionally. The other weakness of insufficient funding, helps in compromising the independence of the auditors. Where the auditors are not well compensated and their activities fully supported, they are left vulnerable and are easily compromised and manipulated by the auditees.*

Interviewee 4: *The main weaknesses include a lack of accountability and transparency; a merit system that encourages nepotism and political patronage; and the low salaries paid to servants, which are non-proportional to their qualifications and living expenses.*

Interviewee 5: *The main weakness in public sector audit is that it is not actually transparent. Most often, audits are triggered due to witch-hunt. Therefore, the auditee is presumed fraudulent even before the audit begins.*

Interviewee 6: *Deployment of less experienced or incompetent Audit Staff.*

Interviewee 7: *Auditors in the Public Sector are challenged with the issues of Management override, and low earnings which serves as major impediments to their performance*

Interviewee 8: *Some weaknesses are lack of training for some internal auditors that occupies leadership positions, some auditors within senior management are not qualified and lack requisite credentials/qualifications but due to political connections they hold such positions, underpayment of some auditors have caused the demotivation of those individuals and the lack of some essential working tools e.g. (stationery, printer) to conduct audit.*

6. From your perspective, what attributes influence the quality of audit conducted in Public corporations?

Interviewee 1: *The lack of experienced professional auditors' involvement with the audit process to ensure that the auditor and the client are both adhering to professional standards in my opinion terribly influences the quality of audit services being provided to public corporation. The auditors' independence and their competence also matter for a quality audit.*

Interviewee 2: *Auditors' independence*

Interviewee 3: *When an audit is staffed with competent and experienced team members. Competent and experienced staff add value to the audit process, and usually void of bias and unprofessionalism.*

Interviewee 4: *Auditor Auditors should be trained in the use of technology to effectively support audit testing and analysis*

Interviewee 5: *The attributes are: Integrity, independence, accountability, vast experience and knowledge of the audit lead and the auditee compliance with the auditing process.*

Interviewee 6: *Auditor's Independence*

Interviewee 7: *There are few attributes that influence the quality of audit conducted in the Public Corporation, lack of professional skilled training and familiarity due to long stay*

Interviewee 8: *There are few major factors that affect the quality of an audit in Public organizations in Liberia: The lack of experience and qualification of some auditors and the lack of honesty/integrity due to underpayment of salary.*

7. In your organization how do you determine whether a quality audit has been conducted?

Interviewee 1: *I believe that quality audit services are provided by the quality of the audit team conducting the audit in terms of their independence and professional competence-knowledge of the client. During my engagement with the auditors, I expect them to show serious knowledge of our activities to be able to appropriately review them and give fitting recommendations for improvement. In a nutshell, I am sure of a quality audit when the auditors exhibit professional knowledge and experience in auditing and Accounting and an understanding of our control environment. The involvement of audit manager and partner in the audit process and the objectivity of the auditors also matter in determining that a quality audit service was provided.*

Interviewee 2: *Independence of the Auditors, professional qualification and knowledge thereof, and the quality of audit procedures derive to conduct the audit.*

Interviewee 3: *The quality of the audit is usually assessed by the recommendations provided in the management letter. When the report was relevant recommendations that lead to improvements in the control environment, this means that the quality of the audit is acceptable. Additionally, when the audit is staffed with experienced and competent staff. Usually, experienced and competent staff adds to the quality of the audit work to be performed.*

Interviewee 4: *It can be determine through a quality assurance system. The audit being undertaken is that of a quality audit and is focused on a systematic and independent examination to determine whether quality activities and related results comply with the national standards, and whether these arrangements are implemented effectively and are suitable to achieve objectives.*

Interviewee 5: *A quality audit is conducted if the auditor is transparent and independent, is well knowledgeable and experience with the auditee's internal and government policies and the area of audit.*

Interviewee 6: *Auditor's Competence and Audit Firm Reputation.*

Interviewee 7: *When risks are assessed, audits are conducted systematically, and reports are submitted timely to the Board of Directors with appropriate recommendation for consideration and implementation, a quality audit has been conducted.*

Interviewee 8: *When a systematic and objective assessment of audit are met. When every supporting documents are filed according to file index/structure. Reports are supported by documented evidences.*

8. If given the chance what would you do to improve audit in public corporation?

Interviewee 1: *I would recommend that audit firms assigned professional and competent auditors with prior knowledge of the client. I would encourage the involvement of senior level auditors throughout the audit process and the involvement of relevant departments in public sector organizations in the audit process to give auditors more attention and feed them with the information necessary for a successful audit.*

Interviewee 2: *Augment the professional capacity of Public Sector Auditors, mitigate the interference of National Government/ improve auditors' independence and implement audit recommendations*

Interviewee 3: *I would advise that more training on professionalism, professional skepticism, ethics and integrity should be more intensive and rigorous. The quality management system of the audit institution should also be strengthened to provide a robust quality assessment.*

Interviewee 4: *There is a need for Internal Audit to be effective so as to create improvement in the government. Positive improvement in the public sector will definitely benefit the citizenry of Liberia.*

Interviewee 5: *I will ensure that auditors are very independent and accountable and are well knowledgeable and experienced.*

Interviewee 6: *Reduced Audit efforts from Auditor and Auditee during the audit process*

Interviewee 7: *To improve Audit in Public Sector, the role of audit should be respected for the minimization of management override, there should be professional and skilled training and certification, Audit Department should have highly motivated staffs with good earnings.*

Interviewee 8: *I shall provide local and International training opportunities for all internal auditors quarterly. Additionally Auditor will be selected for professional advancement (CPA, ACCA, CIA, CFE, CMA, MSc e.t.c.) base upon their performances, an appraisal will be done bi-annually. Employees will be given such opportunity base on merit. In order for auditors to maintain the first two core principles (Integrity and objectivity) of auditing, they should be provided well deserved salaries. All working tools will be made available to all auditors*

9. Is there anything else you will like to add that we have not asked you?
Interviewees responded that all relevant matters were covered above