Innovations

Role of performance audit in fighting corruption in Somali regional state, Ethiopia

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Abstract

The study assessed the role of performance audit have in fighting corruption and evidences were taken from Somali regional state Audit of general. The research focused on assessing the role of performance audit identifying the effective, efficient and economy while performance audit is conducted and used as a tool against corruption. The study used descriptive research design for this research. The study used census method in Somali regional state office of auditor general, structured questionnaire was used for performance audit staffs with head of the division and manager in the Somali regional audit of general. The researcher found that performance audit with proper planning and well-integrated of efficiency, effectiveness and economy can reduce the corruption and it can be used a tool against corruption. Since performance audit can fight the corruption, it must be well planned; the integrity of efficiency, effectiveness and economy should be kept and performance audit should be used as toll against corruption. The top management should support the performance auditors in developing mutually acceptable performance audit criteria and all managers should be aware of the criteria, the top management should also prescribe in detail the mechanism for accumulating data and other information on performance of the program at the levels of individual manager, unit or section.

Key words: *1.Performance Audit, 2.Efficiency, 3.Effectiveness, 4.Economy 5. Corruption.*

I. Introduction

Auditors have a duty to fight corruption. According to the 16th International Congress of Supreme Audit Institutions (INCOSAI), held in Montevideo, Uruguay in 1998 SAIs can and should endeavor to create an environment that is unfavorable to fraud and corruption. The 16th was partly devoted to prevent and detect fraud and INCOSAI corruption. Performance and

regularity audit can be seen as attaching corruption from different approaches. Both are needed and necessary in the fight of corruption. For that reason, today, Supreme Audit Institutions (SAIs) used performance audit as a tool in combating corruption in most developed and in some developing countries (Sundgren 2009).

Even though the issue of performance audit stated in proclamation No. 164 of 1979, it was not conducted in Ethiopia until beginning of 1990s. In 1991 development of performance audit started in new sprit as a result of UN expert financial auditing project recommendation. Then, manual of performance audit prepared in 1992 and short-term training provided. Later on, in the middle of 1990s performance audit reports issued and started to present for parliament incorporating it with financial audit.

In 1992 Ec Somali Regional State Office of Auditor General (SRSOAG), take its duty of conducting audit functions with legal basis according to proclamation No 6/1992, the proclamation has been revised in 2011 Ec by the proclamation No 182/2011 and performance audit division started that later proclamation. Focus of this is to find the role of performance audit in fighting corruption and findings of the study might be help for the policy makers.

1.1 Statement of Problem

Performance audit have numerous importance in improving performance (John 1996), in assisting public expenditure management (Dadi 2009), in supporting modern public management (Michael 2002) and in fighting corruption (Khan 2006). Especially in many countries performance audit is used as a tool against corruption (Dye and Stapenhurst 1998; Borge 1999; Pope and Jeremy 2000)

On the other hand, Public is a highly complex phenomenon as it has different types and forms with different levels and volumes (Everett, 2010), and the parties involved leave very little telltale in the form of irrefutable hard evidence (Khan,2006). Most of the corruption takes place in an informal manner and under the dark cover of isolated contacts. At times it does not even require a spoken word. Mere eye contact can establish a relationship of corruption.

In case of Ethiopia; the government of the Federal Democratic Republic of Ethiopia (FDRE) clearly recognizes that corruption hinders development, democratization, and good governance endeavors. Hence, it has been striving to prevent and combat this socioeconomic evil by designing various strategies.

In addition, the role of performance audit in fighting corruption conducted in Addis Ababa University in 2012 was done in case of FDRE and Oromia National Regional and this research done nothing to Somali Regional State, Ethiopia.

Researcher in this study however, tried to establish the auditor's perception on the role of performance audit against corruption within SRS. The above-mentioned problems invited the researcher for extensive research on this issue within the SRS.

1.2. Research Questions

Through the course of this research, it intends to provide answer to the following research question:

- What are the roles of performance audit in minimizing the corruption in Somali regional state, Ethiopia?

1.3. Objective of The Study

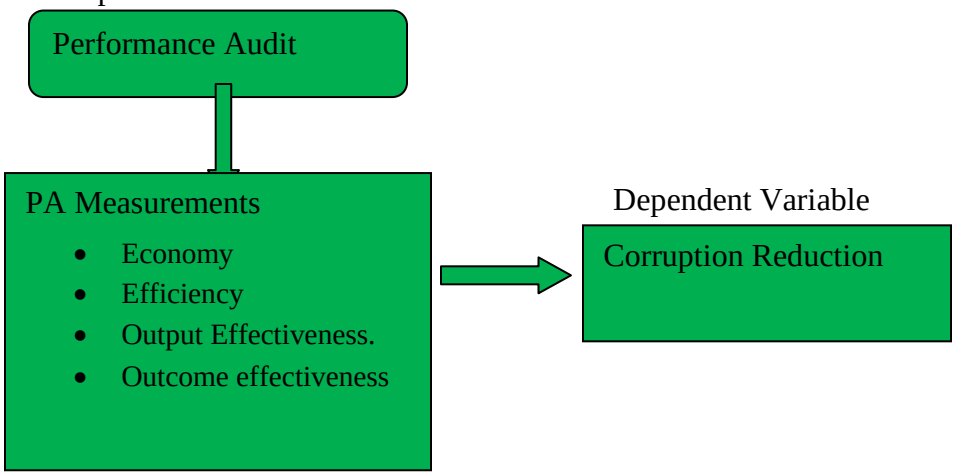
The main research objective of this research is:

- To identify the roles of performance audit in minimizing the corruption in Somali regional state, Ethiopia.

II Conceptual Framework Development

After reviewing the related literature, it can be concluded and it may be framing the following conceptual framework.

Figure 1. The overall dimensions of the conceptual model



Source: Author's Computation

The conceptual framework illustrates as above on Figure.1 there are independent and dependent variables. The independent variable in this study is Performance audit in SRSOAG and the dependent variable is corruption reduction in the region. It should be noted that the proposed conceptual framework, which includes the PA measurements of economy, efficiency, effectiveness, and corruption reduction, fits the description of an excellent performance measurement framework. It incorporates economy, which relates to the control of costs associated with the acquisition of input in order to keep expenses to a minimum. It also requires the evaluation of efficiency, aimed at measuring the activities leading to the outcomes, through which recommendations are made to improve the relevant activities. The assessment of

effectiveness in the proposed framework shows signs of the organization's commitment to the fulfillment of the owner's objectives which sustains the entity's existence

III.Research Design and Methodology

3.1 Description of the Study area

The study area of this study is Somali Regional State (SRS), Ethiopia. Jigjiga is the capital of Somali Regional State (SRS),

3.2. Research Design

This research used Descriptive research design. Structured questionnaires were used to collect data from the target population.

3.3. Target Population

Population of the study is the employees of the office of auditor general, Jigjiga Currently, the organization has 95 employees of which 14 were supportive staffs and the remaining 81 were auditors those currently engaged directly in the actual audit work at field. By using census method, all 95 employees of the bureau have taken into consideration for the study.

3.4 Source of Data Collection

To assess the role of performance audit in combating corruption in Somali regional state office of auditor general primary data were collected.

3.5. Data Analysis Method

Current study employed inferential (correlation analysis) tool to identify the relationship between the dependent variable (corruption reduction) and independent variable (performance audit).

IV.Results and Discussion

Correlation analysis to find out the role of performance audit in minimizing the corruption in SRS, Ethiopia

The level of Association between the dependent variable and independent variables were measured using the Pearson correlation. A correlation matrix is a table showing correlation coefficients between variables. Each cell in the table shows the correlation between two variables. A correlation matrix is used as a way to summarize data, as and input into a more advanced analysis, and as a diagnostic for advanced analyses.

Table 1: Pearson's Correlation Analysis Result

Correlations							
		PA status	Economy	Efficiency	Output effectiveness.	Outcome effectiveness	Corruption & PA
Performance audit status.	Pearson Correlation	1	.955**	.937**	.955**	.657**	**.426****
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	90	90	90	90	90	90

Economy.	Pearson Correlation	.955**	1	.989**	1.000**	.686**	**.425****
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	90	90	90	90	90	90
Efficiency.	Pearson Correlation	.937**	.989**	1	.989**	.640**	**.400****
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	90	90	90	90	90	90
Output effectiveness.	Pearson Correlation	.955**	1.000**	.989**	1	.686**	**.425****
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	90	90	90	90	90	90
Outcome effectiveness.	Pearson Correlation	.657**	.686**	.640**	.686**	1	**.671****
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	90	90	90	90	90	90
Corruption & PA.	Pearson Correlation	**.426****	**.425****	**.400****	**.425****	**.671****	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	90	90	90	90	90	90
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: Own survey 2022

Table 1 clearly presents about the correlation that happened between the dependent variable and the independent variables.

The first significant correlation happened between corruption reduction and status of performance audit. The correlation coefficient (0.426) indicates that, there is a positive and direct relationship between performance audit planning and the reduction of corruption in Somali region. The relationship is statistically significant since its p-value (0.000) is less that the alpha value (0.01).

The second positive correlation was happened between corruption reduction and performance audit economy. The correlation coefficient (0.425) points out that, there is positive and direct relationship between the two variables. This result is not by chance rather it is statistically significant since the p-value of (0.000) is less that the alpha value (0.01).

The third significant relation was happened between corruption reduction and performance audit efficiency. The correlation coefficient (0.400) indicates that, there is direct and positive relation between the two variables. It is statistically significant at p-value of (0.000) that is less than alpha value of (0.01).

The fourth positive and direct relationship was happened between output effectiveness and corruption reduction. The correlation coefficient (0.425) shows that there is direct relationship between the two variables. This is because their relationship is significant at p-value (0.000) is less that alpha value (0.01).

The correlation coefficient (0.671) clearly shows that there is positive and direct relation between corruption reduction and outcome effectiveness. This result is not by chance rather it is statistically significant with p-value of (0.000) that it is less than alpha value (0.01).

Table 2: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.738[a]	.545	.518	.64448
a. Predictors: (Constant), Efe1, Efi, Status, Eco, Efe2				

Source: Own survey 2022

From the above table one can see that the multiple R (correlation coefficient) value of 0.738 or 73.8% under the model summery above indicates that there is positive correlation between the five independent variables (performance audit status, economy, efficiency, output effectiveness and outcome effectiveness) and the dependent variable (corruption reduction). Besides that, the above table also indicates that the coefficient of determination (R square) is (0.545) means that the corruption reduction can be explained in 54.5% by the five variables. In other words, 45.5% (100%-54.5%) of the variation is not explained. This implies that there are other variables that are important in explaining corruption reduction which are not considered in this study.

The adjusted R square indicates that corruption reduction is explained by the five independent variables by 51.8%

Table 2 clearly shows that, coefficient R 0.738 indicates that corruption reduction was explained

Table 3: ANOVA

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	41.830	5	8.366	20.142	.000[b]
	Residual	34.890	84	.415		
	Total	76.720	89			
a. Dependent Variable: Cora						
b. Predictors: (Constant), Efe1, Efi, Status, Eco, Efe2						

Source: Own survey 2022

Based on the ANOVA above table indicated the P value (0.000) is less than the alpha value (0.01) besides that the F statistics at 20.142 is significant at (0.01) levels. Hence the model is good descriptor of the relationship between the dependent variable and independent variables.

Table 4: Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.126	.454		2.482	.015
	Status	.209	.088	.180	2.367	.020
	Efe2	.827	.107	.851	7.693	.000
	Eco	.292	.070	.386	4.172	.000
	Efi	.304	.127	.291	2.400	.019
	Efe1	.061	.056	.082	1.104	.273
a. Dependent Variable: Cora						

Source: Own survey 2022

The table 4 clearly demonstrates that, First, in this study, outcome effectiveness is the first significant variable that explains corruption reduction. Since its t-value is (7.693) and its P-value is (0.000), which is lower than alpha value of (0.01). Besides that, outcome effectiveness is the predictor variable that contributes the first highest to the variation of the corruption reduction because of its beta value (under standardized coefficient) is the highest one (0.851) as compared with other variables.

Second, this current study found that economy is the 2nd significant variable that predicts corruption reduction, since its t-value is (4.172) and its p-value is (0.000), which is less than alpha value (0.01). Besides that, economy contributes the 2nd highest to variation of the corruption reduction because beta value (under standardized coefficient) is (0.386).

Third, this current study found that efficiency is the 3rd significant variable that predicts corruption reduction, since its t-value is (2.400) and its p-value is (0.019), which is less than alpha value (0.01). Besides that, efficiency contributes the 3rd highest to variation of the corruption reduction because beta value (under standardized coefficient) is (0.291).

Fourth, performance audit status is the 4th significant variable that predicts corruption reduction, since its t-value is (2.367) and its p-value is (0.020), which is less than alpha value (0.01). Besides that, performance audit status contributes the 4th highest to variation of the corruption reduction because beta value (under standardized coefficient) is (0.180).

Finally, this research found that, output effectiveness is not significant variable that predicts corruption reduction, since its t-value is (1.104) and its p-value is (0.273), which is greater than alpha value (0.05). But output effectiveness has a positive contribution to variation of the corruption reduction because beta value (under standardized coefficient) is (0.082).
Therefore, the model of this paper is:

CR= 1.126+0.209PAS+0.292EUR+0.304EUR*+0.061OPE+0.827OCE+0.05.

Where: PAS = PA status
EUR = Economic use of resources
EUR= Efficient use of resource
EUR* = Effective use of resource
OPE= output effectiveness
OCE= outcome effectiveness

This model tells us that the five independent variables explained the dependent variable (corruption reduction).

V. Conclusion

This current study found that outcome effectiveness is the first statistically significant variable that that explain and a predictor variable that contributes the first highest to the variation of the corruption reduction. This study also found that economy is the second significant variable that predicts and explain corruption reduction. Moreover, this current study found that efficiency is the third significant variable that predicts and explain corruption reduction. Furthermore, this current study found that performance audit status is the fourth significant variable that predicts and explain corruption reduction.

A proper planning of performance audit is required since it should ensure that an effective, comprehensive and well-planned performance audit programme is in place; priorities are adequately determined; goals and objectives are set; resources are allocated cost-effectively to areas with the greatest potential impact; monitoring arrangements are in place to review progress. Policy makers should focus on efficiency and effectiveness of performance audit. The top management or governing body should encourage performance auditing over routine compliance auditing and inform all program managers that their performance would be audited while the programs and projects should be subjected to performance audit periodically. The top management should support the performance auditors in developing mutually acceptable performance audit criteria and all managers should be aware of the criteria, the top management should also prescribe in detail the mechanism for accumulating data and other information on performance of the program at the levels of individual manager, unit or section. Lastly the Somali regional state office of auditor general should consider the performance audit as tool of combating corruption and should establish a performance audit with well-integrated of efficiency, effectiveness and economy to reduce the current level of corruption in the region.

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