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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY

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FACTORS INFLUENCING THR PERFORMANCE OF EXTERNAL AUDITORS IN INDIGENOUS AUDIT FIRMS.

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The signatories attests that they saw B1953707 while she was working on her dissertation, which was titled "Factors influencing the performance of external auditors in indigenous audit firms" was submitted to partially fulfill the Bachelor of Accountancy Honors Degree requirements at BINDURA UNIVERSITY OF SCIENCE EDUCATION.

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# Dedication

This work is devoted to the Almighty and to my family who supported me whole heartedly and worked tirelessly to help me succeed, as well as to my friends for their constant encouragement and support. My gratitude for their diligence extends to my lecturers and doctors as well as motivation to get where I am now.

# Abstract

This paper reached on the factors that influence the performance of external auditors in indigenous audit firms. The study intended to examine the influence of (independence, competence, audit fees, firm size and work experience) on external auditors' performance in indigenous audit firms. It was broadened to identify strategies used by audit firms to improve performance and also the challenges faced by external auditors' in indigenous audit firms when carrying out audits. Questionnaires were used to collect the data and only primary data was used. The population of the study are indigenous audit firms that are listed on the PAAB Registered firms-ICAZ. To fulfill the intentions of the study, an assessment was done and 25 firms were selected randomly whereby 4 individuals on each firm were the respondents namely; audit partners, audit supervisors, audit manager and audit seniors. 100 questionnaires were dispersed to the respondents. For appropriate empirical results, SPSS was implemented. Linear regression analysis notices the influence of factors on performance of external auditors. The outcome reviewed that external auditor performance is influenced by the independence of the auditor, competence of the auditor, audit fees and experience. The research offers handful material to experts and researchers who are concerned in pinpointing factors that have an influence on performance. In order to close the gap, this study examines, among other things, how audit fees, auditor independence, auditor competence and experience influences the performance of auditors in indigenous audit firms. The scholar suggests that the government establish sound policies to enhance quality of audit work by Zimbabwean audit firms.

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# CHAPTER I

**INTRODUCTION**

## Introduction

Auditing refers to the examination of financial statements or accounts of a company, where it can either be internal or external (Jeppesen., 2019). An external audit refers to when an auditor executes an audit in relation to specified rules and regulations of an entity's financial statements and should be free from any relationship with the firm that will be audited (Jeppesen., 2019). Scholars concur that the need of auditing process in the whole world, whether internal or external, has increased rapidly compared to previous years (Dumay et al., 2018; Jeppesen., 2019; Mubako & Muzorewa., 2019; Albitar et al., 2020; Mohammed & Farhoud., 2022). Various reasons have been accredited to the need globally, like fighting corruption, promoting the best evidence-based practices, ensuring compliance with regulations and providing insight among numerous others (Mubako & Muzorewa., 2019; DiLaver 2020). It is a requirement for EAs to perform duties with due care and diligence for audit function to be viewed effective. If a company flops financially after being audited, the blame is pinned on EAs for giving an inappropriate audit opinion (Mubako & Muzorewa., 2019). However, auditors do not have the duty to detect and prevent fraud or to consider the assumptions made by the management of the client business in terms of going concern when preparing financial statements. Auditors only deter fraudulent activities and communicate the matter to the relevant authority for further investigation (Jeppesen., 2019). This study is aimed at giving an investigation on the factors that influence external auditors' performance having a focus on indigenous audit firms.

## Background of the study

Proper record keeping and maintenance were introduced globally with the intention of dismissing doubts about how to do the accounts correctly. Auditing systems have been seen as a fraudulent activities and bookkeeping errors that might not be detected. Historians related the origin of auditing systems in public sector of countries. The International Auditing Standards have been issued so as to execute highest audit quality and to safeguard the interests of all parties as the audit quality improvement is never seen a never-ending journey. Mostly, the political and economic mould evolves the performance of auditors ( He et al., 2018). Despite every country's economic distress, each and every company needs to be audited so as to see if the presented financial accounts give a true and fair view. Countries have developed check systems to help identify errors and to deter fraud. Although the audits are guided by the same principles, countries have different cultures and corporate governance. For example in Korea, they give great esteem for age rather than skills and knowledge when doing audits just because it is their culture whilst in Netherlands, they tend to promote the talent of the young ones as its their culture (Barber & Maroun., 2020).

Auditors need to adopt to data analytics competency and the technologies on the run. Many businesses in the global have been obliged to establish safe work operations and adopt digital technologies due to the coronavirus pandemic. Rusere and Guti (2022) highlighted that the Corona Virus Disease of 2019 resulted in numerous changes in audit practices around the world and that it is now very essential to pay special attention to auditing as there is a need for improvement of both organisational practices and audit function. This pandemic has increased the pace of the development of virtual audit. Technological advancement and the forever rising of financial fraudulent activities have additionaly prompted changes within the practice (Newsman, Nhubu & Satande., 2021).

External auditors have been experiencing with new technologies as it has become a basic building block for success to effect higher-quality and more efficient audits. Evolving technologies have possibly increased the quality of an audit while adding it's value. Therefore, EAs need to continue to adapt to changes in business models and gain better understanding of the various skills utilized by organizations. Audits have been based on adhering to established principles. However, technology has changed the way audits are performed and has made a room for less errors. For instance, nowadays financial statements of clients can be downloaded inclusive of the supporting documents. In the past sampling techniques were used to select a batch of supporting documents to check for accuracy of which one can make an error on anticipating.

This research places the audit performance within the accountability firework of Zimbabwe in terms of the economy. This study investigates firm inducements to discover ways to improve the performance of auditors as per the requirement of the Office of the Auditor-general Zimbabwe Menu to give a clean report. As for the performance of auditors in Zimbabwe, it is triggered by the economic conditions that is their remuneration is strongly affected making a huge difference with auditors of other countries with stable economies. In accordance with the Customs and Exercise Act on the section of the Income Tax Act and of the Vat Tax Act, all citizens of Zimbabwe are required by law to keep and maintain records of business transactions and accounts. The external auditors in indigenous audit firms have taken several actions to improve performance as a reply to ever-changing environment. The Mai aim being to disclose data analytics and to gather audit evidence. An approach which focuses on improving value for clients have been developed.

## Problem statement

Auditing scandals point out the need for transformative change in terms of auditor's performance. This can be evidenced from Enron scandal that resulted in the bankruptcy of the US firm and also lead to the dissolving of the Andersen LLP audit firm for violation of principles (Byar., 2022). Another auditing scandal is of the PriceWaterHouseCoopers South Africa, partly the International PwC accounting and consultancy network has been trapped in the provocative coup of Tongaat Huletts by a Zimbabwean tycoon Hamish Rudland. The Hulett executives were charged with working with PriceWaterHouseCoopers South Africa to perform an improper, unethical and unlawful audit. While performing the illegal audit, they were also using specific procedures to pursue personal campaigns to get rid of undesirable management figures, reduce the value of the business's assets in Zimbabwe and it's total value to make it simpler for Rudlands to purchase it at a discount (NewsHawks., 2022).

The situation indicates the urgent necessity to look into the variables that influence external auditors' performance so as to avoid auditing scandals.

## Research Objectives

1. To determine the factors influencing performance of external auditors in indigenous audit firms
2. To ascertain the strategies implemented by indigenous audit firms to improve external auditors’ performance.
3. To identify challenges faced by external auditors in indigenous audit firms when carrying out audits.
4. To recommend possible ways to improve external auditors’ performance.

## Research Questions

1. What are the factors that influence performance of external auditors in indigenous audit firms?
2. Which strategies are implemented by indigenous audit firms to improve auditors’ performance?
3. What are the challenges that are faced by auditors in indigenous audit firms when carrying out audits?
4. Which ways improve external auditors’ performance?

## Significance of the study

This research is vital to the scholar because it is going to assist her more on understanding factors that influence the performance of external auditors. Moreso, the researcher will be able to put theory that she has learnt into practice. It will also enhance the knowledge and skills of the researcher in the working environment. Results of the study will provide an opportunity to Zimbabwe audit firms to examine the measures of performance of auditors.

This study is also of significance to the university as it will contribute in scholarly studies. It will be pointed out as reference to other students who might want to research on the same area. Highlights of issues to be further reached will be analyzed. This research will also benefit many firms as it will provide ways of improving the performance of external auditors.

Corporate scandals, like the Enron scandal, led to the necessity for excellent corporate governance. Zimbabwe was not spared either as it has the need of regulations in the business environment. The audit function has an important role through providing auditing services.

## Assumptions

1. The literature used in this research is considered appropriate and relevant.
2. Respondents chosen are based on their merit and knowledge in the area of study.
3. True and fair perspective will be shown in the research as the questionnaire responses are accurate, yielding faithful responses.
4. The questionnaires will be very easy to understand to the respondents.
5. The performance is measured against set standards and goals.

## Limitations of the study

1. Appointments needed to be made before meeting up with the respondents which resulted in very little time for the respondents to answer questionnaires, thereby leaving some of the questions unanswered. This was very inconveniencing to the researcher to analyse the data.
2. Many audit firms are very sensitive with their information, hence the access to data was very limited, therefore this made the researcher to make use of only primary data limiting the scope of analysis.

## Definition of key terms

**Auditing**

Auditing refers to an inspection of financial accounts or the examination of books a company be it private or public companies (CFI., 2022). It is conducted both internally and externally ensuring compliance by the company to the requirements.

**External Auditor**

An external auditor is a public accountant who perform reviews, audits and other tasks for their clients (Williams., 2022). Auditors execute audits related to specified rules and regulations of financial statements of an entity and should not be related in any way with the firm that will be audited. External audits are used to find any significant inaccuracies or misstatements in financial statement of an entity (CFI., 2022).

**Performance**

Performance is defined as the achievement of a given task measured against set standards. That is, actual results should be measured against the expected results to see whether there has been an achievement or not. Sultana et al (2012) defined performance as the accomplishment of tasks against determined goals or specific standards of correctness and completeness. It can occur as an appraisal of the work done comparing to predefined principles (Robbins., 2015). Performance of auditors can be referred to as a good one when it is based on quality of an audit and the period taken for completion of the audit.

**Performance Audit**

The use of techniques to assess the effectiveness and efficiency of business operations is referred to as performance auditing (Kjennerud et al., 2017). This is done to evaluate on objectives that would be carried out to see whether there has been an advancement or not. The performance audit goes past authentication of internal controls and the adherence with International Standards that is it looks on other factors such as risk assessment, communication and so on.

## Chapter Summary

Chapter one introduced the audit function and the role it plays in organizations. Areas covered included the introduction to the factors that influence external auditor’s performance. The objectives, questions and the significance of the research were also mentioned. Further research is necessary to investigate possible factors influencing the performance of external auditors.

# CHAPTER II

**LITERATURE REVIEW**

## Introduction

The factors that influence the performance of external auditors. The chapter helps the reader to master the basic factors that influence the performance of external auditors as it will cover the definition of factors under study, underpinning the theories and existing auditing frameworks applicable. Assessing the factors’ influencing performance has been introduced in many countries with the view to point out arguments or ideas in the auditing field improving the effectiveness and efficiency of both public and private sector companies

## External auditor

The term external audit refers to audit operations carried out for parties not affiliated with the entity being audited by professionals known as external auditors who are independent of the entity, its officers, its staff and who carry out independent evaluation of the financial statements and disclosures of the organization (Dalabih., 2018; Williams., 2022; Zalata., 2020; Ferreira., 2018). EA refers to a process whereby a verification of accounts is done by an accountant who is not influenced by any relationship. An audit is done according to specific rule and regulations of financial statements of a company, verification is done to see whether true and fair view accounts are presented. External auditor confirm that financial statements do not contain errors or fraudulent activities that is detecting and reporting misstatements obtained from acts which are illegal (Williams., 2022; Dalabih., 2018). In order to increase the reliability of the reported information, quality audits should be present. EA refers to a process whereby a verification of accounts is done by an accountant who is not influenced by any relationship. An external audit provides assurance of the entity’s reports to the management and the third parties.

## Theoretical Framework

Th theoretical framework on the research has provided theory about the preparedness of firms to give the details on the performance of auditors. The study focuses on focuses on various theories that are useful on performance of external auditors. Some of the authors are well known then others focus mainly on assumptions in studies.

### Agency Theory

Individuals employed to do a specific service ate referred to as agents. The theory explains the link between the agent (manager) and the principal (shareholders). This theory was propounded by Jensen and Mecking in 1976. It aims to clarify the decrease of value and wealth that transpires when one party performs a duty on behalf of the other (agent) and the fraudulent activities that are essentially driven by conflict between the principal and the management (Ittonen., 2010; Rahmawati and Indrijawati., 2020). This is whereby the management is hired to run the company for the shareholders to maximize profit and wealth (Handiko and Widuri., 2016; Colbert and Jahera., 1988). However, there is a possibility that not all the activities of the management are in agreement with the preferences of the shareholders that is to maximize wealth (Owolabi and Olagunju., 2020). The theory can be connected to the research as the necessity of services by the external audit can be credited to the perception of the agency theory whereby the auditor should be appointed independently without any interests (Okereoti., 2022; Ittonen., 2010; Colbert and Jahera., 1988; Handiko and Widuri., 2016). Reports must be checked because of the interests of parti we s that may enable managers to perform their duties cunningly or make choices that do not take shareholders into consideration.

### The Lending Credibility Theory.

The theory advise that the prime purpose of the auditors is to improve on the value and the credibility of financial statements done by the agents and to improve principal's confidence when giving management assignments to the agents and to lessen the imbalance of information between the two (Owolabi and Olagunju., 2020; Ogoun., 2020). It was compounded by Bayes in the 18th century. Credibility is an immeasurable and priceless service that can be given by the auditor to the community. Moreso, credibility theory postulated that financial statements can be completely referred to as void and irrelevantly worthless if credibility lacking. The credibility theory enables users to be confident enough when using financial statements. It aids the value of investment conclusions and that the dependability of financial statements is a feature that all audited financial statements hold (Owolabi and Olagunju., 2020). Mostly, auditing will increase both the credibility to financial statements as well as reducing the imbalance of information created by the parting the shareholders and management. Thus, resulting in the possibility of bias as there is conflict of interest, where managers are seen to be cunning with their activities since they get access to information that shareholders do not know. They can use information to pursue their interests. In contrast, there are many users of financial statements, so it is proposed that for competence and reliability, audit should not be referred to as an exercise not only to make financial statements seem credible before the principals, but rather thorough exercise that relieves doubts of investors and all stakeholders that use financial statements (Ogoun.,2020). In recent years, audit services demand and supply has gone up to a point that a combined audit is expected to increase credibility of financial statements. Apparently, combined audit is implored basing on prior to economic scandals for example the case of Enron whereby Arthur Andersen was the auditing firm, some of the problems began when the firm performed the role of both the management and also the statutory auditor to the same book. The incident of performing two duties for one client resulted to credibility doubts of the reports (Owalabi and Olagunju., 2020). This is related to the study as independence is a requirement of auditors for a better performance that has no bias.

### The Policeman Theory

The Policeman Theory by Limperg in the 1920s postulate that the duty of auditors is the searching, detection and prevention of fraud Ittonen., 2010 Owolabi and Olagunju., 2020). These auditing functions suggests that auditors are responsible for providing verification and assurance of the truthfulness and fairness that are within the auditing standards. This theory states that the auditor acts as the Policeman that focuses on arithmetical accuracy of the finance books (Ogoun.,2020). In the 20th century, it was the responsibility of auditors to search, discover and prevent fraud. It was more focused on the correctness of numerical values and the deterrence and detection of fraud. However, detecting of fraud is still a topic for discussion debating with the responsibilities of auditors as they should act as watchdogs, but not on blood hunts (Ittonen.,2010; Ogoun., 2020). In contrast, according to the new standards of auditing, the key aim of auditor is not to detect fraud, rather an expression of faithful presentation of the financial statements made by the management (Owolabi and Olagunju.,2020). This theory is related to the research in a way that auditors should deter fraud fir them to present quality audit reports which is also a reflection of their performance.

### The Theory of Inspired Confidence

The theory was set out by Limperg in the early 1920s and it discourses the demand and supply of audit services. This demand replies to the desire of users of financial statements or stakeholders, who desire accuracy and responsibility from the management operating the company in return for their investments and also to ensure reports from the management give views of the affairs of the company which are true and fair (Owalabi and Olagunju., 2020). The demand of audit services is a direct result of outside parties' contributions to the business, the contributions to the business, the contribution of stakeholders depends with the relevance of the audit services the reason being that the agents might provide biased information (Ogoun.,2020; Ittonen., 2010). The facts of the theory of Inspired confidence are due to the third parties concern in the operations and running of the company, hence there is demand for audit services and also the supply lies in the hands of auditors (Owolabi and Olagunju., 2020). The management may provide biased information whereby the third parties cannot monitor an audit to assure the relevance of the information that is the auditor should never awaken expectations more in the report rather that the report's examination validates. This is related to the study in a way that auditors should have honesty and integrity for them to be viewed to have good performance.

## Conceptual Framework

The framework for the study is based on a conceptual framework (Hazea et al., 2020). The conceptual framework identifies the relationship between the variables that is dependent and independent. The independent variables are independence, audit fees, firm size, competence and work experience whilst the dependent variable is performance. The diagram below illustrates that those five factors influence performance of external auditors.

**Figure 2.1: Study Conceptual Framework**

### The concept of external auditors’ performance

Various academics have provided explanations of performance audit in their studies, despite the fact that there is no one definition that is universally acknowledged of performance audit. An independent, unbiased and systematic evaluation of how well the business is managing it’s tasks, responsibilities and resources is known as performance audit. Plans, execution and reporting for performance audits look to check if organizations are executing activities and processes or delivering programs while adhering to economic principles. Performance audit must be impartial, objective and reliable so as to determine whether there is room for improvement in terms of efficiency and effectiveness. Moreso, auditor’s performance may be characterized as an independent procedure that assesses the management-instituted measures to make sure that resources have been obtained affordably and are being used effectively (Hassim and Madupe., 2017).

### What is independence?

Independence is the avoidance of having a personal interest in carrying out duties, by a public accountant, which is in conflict with the objectivity and honesty principles (Hafizah., 2022). It has been added that auditor independence is one of the guiding concepts that guides an auditor's work and has long been seen as the cornerstone of the auditing profession. Due to competing interests, the public auditor must act impartially while making a determination about the fairness of the audited accounts, acting independently of the clients, users of financial statements and the public auditors themselves (Nastir et al.,2021). The validity of financial accounts is based on the reports provided by the auditors, independence must be considered one of the most significant characteristics of auditors to avoid weakening the public trust as a result of the circumstances that are thought to affect the independent attitude if there is proof that the auditor independence is damaged. The independence of the auditor is also a crucial component because it safeguards the auditor's capacity to uphold integrity, behave impartially and avoid taking sides (Haeridistia & Fadjarenie., 2019).

### What is audit fees?

Audit fees is described as the sum that an auditor charges for reviewing a company's financial records (Okerekeoti., 2022). Audit firms are eligible to receive fees from clients in exchange for their services as payment for their work and it depends on the size and risk associated. The level of audit fees charged typically correlates with the work put forward by the auditors (Shakhatreh et al., 2020). The audit fee must be calculated based on the cost of the necessary facility, the number of audit workers, and the amount of time invested (Serem et al., 2020). It has been added that the fee is inclusive of incomes and all other related costs incurred when the auditing services were being performed and can be determined by the size and the complication of the job at the firm being audited.

### What is competence?

Competence is a fundamental quality of a person who can accurately forecast exceptional performance or has a direct impact on one's success at work. Puspitasari et al (2019) added that a person with the necessary technical expertise and competence to do an audit must do so. Moreover, competence can be referred to as a person's authority and capacity to perform a job that is in line with the responsibilities of the position (Ridwansyah et at., 2018). It is also the sum of a person's general knowledge, talent or skill, work attitude and personality traits which is an auditor's field of competence (Kertarajasa et al., 2019). It has been viewed as a duty to continuously update professional knowledge and abilities to offer superior services and the appropriate expectations with those expectations in mind.

### What is audit firm size?

Firm size is a key determinant of how an enterprise operates and the amount size is frequently linked to an entity's market strength also the performance of an entity is a topic of interest to policymakers as well as academic researchers (Hung et al., 2021). In comparison to smaller audit firms, bigger audit firms are anticipated to offer higher quality services given that it has more to lose with lesser quality, a larger company is less likely to act opportunistically (Shakhatreh et al., 2020). Some employees of a sizeable audit firm might have a variety of professional backgrounds, which can help with problem -solving and have an impact on performance (Rahman et al., 2019).

### What is work experience?

Work experience is the degree of knowledge and skill mastery that employees have in the workplace and can be determined by the length of time a person has worked as well as the types of work they have performed during the time (Usman et al., 2021; Furiady., 2015). It is also a terrific way to learn of the jobs a person has performed and gives them a chance to do better. A person is more adept at their professional at their profession and has a more refined way of thinking and behaving to accomplish their goals the more the work experience they have (Dewi., 2017). An auditor owns his other work experience during audits in terms of the period taken and the number of tasks done (Prawati., 2022). Work experience can also be referred to raising a person’s behavior pattern that involves learning and the potential growth of behavior via formal and informal education.

## Empirical Review

The literature that is specific to the goals of the research is discussed in this section.

### Auditor’s independence influence on performance

Independence is seen as the foundation of the audit profession and also one of the most important factors of auditors. This is so because third parties rely on the reports done by auditors as the ability of the auditor to give opinion is shielded, so that the auditor cannot be influenced when carrying out audits (Haeridistia & Fadjarenie., 2019). All issues related to the engagement and independence of mental attitude must be sustained by the auditor. The auditor must control his practice regarding the perception of independence and the rules that are attached so as to achieve the degree of being independent during an audit (Puspitasari et al., 2019). In contrast, auditors must be neutral when carrying out duties which is opposing with objectivity and integrity (Natir et al., 2021). It is an unbiased perception when testing and assessing examined results and formulating audit reports. Being independent means that one is not easily influenced (Suciwati and Suartika., 2020). Auditors are forbidden to take sides in terms of the interests of third parties such that clients can threaten auditors to be against auditing standards (power conflict). The condition of the finance structure of a company can also be a tool to pressurize auditors by changing auditors, thus making auditors incapable to comply with the client pressure, lessening independence of auditors (Puspitasari et al., 2019). The position of auditors is an actual dilemma whereby they are expected to fulfill the client’s desires. However, auditors’ actions can cause failure of complying with the professional standards as a position of their work.

Most definitions of independence are narrowly engrossed, in that they abstract from the demand for operational independence of the auditor so as to be capable to make decisions that are not influenced by anyone. This independence is an epistemic one, basically the auditor’s ownership of a knowledge base separate from the audited party. In the absence of such an independent information base, the auditor will rely on the party being audited, regardless of their independence of the thought of appearance. Independence is a key-pillar that is associated to the performance of auditors. External auditors should be independent in a sense that their conclusions on financial statements should be self-governing.

Studies have observed a significant influence of auditor independence on performance (Nastir et al., 2021; Nur., 2015). High level of auditor independence will lead to a better performance. This impacts that all auditors should perform their responsibilities independently without the influence of third parties for good performance. The auditor has high honesty when performing his duties and the audits are concluded objectively. Auditors must act independently on the job as per the recommendation from the analysis and conclusions of related studies, act responsibly when examined results require improvement (Nastir et al., 2021). The independence of an auditor has a confident effect on quality of an audit ( Haeridistia & Fadjarenie., 2019; Puspitasari et al., 2019). However, those auditors who are not obliged to non-audit services, are neither involved in conflict of interests or have any relationship with the client. The independence that affects audit quality is tenure and the pressures of the client. Henceforth if the tenure is not regarded with ethics, it significantly does not affect audit quality (Puspitasari et al., 2019).

### Audit fees influence on performance.

Audit fees is charge for professional audit service by the clients to which the services will be provided. The fee threatens the auditor’s independence and objectivity when it is too much than normal which they are supposed to get for the rendered services or when it is too low the auditors tend to reduce the scope of procedures to be carried out (Myoli., 2020). Audit fees refers to an amount that is charged by the auditor for the time invested, the mandatory ability and the number of auditors (Okereoti., 2022; Serem et al., 2020). Legally, listed companies are required to have an outside auditor to review their financial statements. The rate they pay have to be reasonable so that the audit’s quality is not jeopardized. Auditors are eligible to receive fees from the client in exchange for their services as payment for their workand they would hope to receive enough payment to maintain a decent level of service (Shakhatreh et al., 2020; Okereoti., 2022). The general public and shareholders may be concerned that the audit fee is not set at an appropriate level, which is neither too much nor too low, to prevent undermining the audit process, in addition to businesses and auditors. The repute of the majority of audit firms and the caliber of their audit services are frequently correlated with the sums spent for audit operations (Okereoti., 2022). The level of fees charged typically correlates with work put forward by the auditors. As a result, audit fees could be at the auditor’s discretion and, if not in line with their efforts, might make them less independent, which would lower the caliber of the report (Shakhatreh et al., 2020). However, there are several challenges on the link between audit fees and audit quality. Larger clients would want more services than smaller clients, a larger firm’s overall fees will be obviously higher. An auditor may be employed to provide specialized reports and /or views to performing external audits of the accounts.

The amount of fees is determined by the size of the firm of the customer and the risk associated to the job. Moreso, auditors’ performance or quality of audit reports is influenced by the audit fees. Audit fees determination is essential to the auditor as well as it is to the client so as to balance with the value of services being offered. However, there is no proper way of how fees can be determined fairly.

Higher fees give auditors more incentive to accept financial statement misstatements in order to maintain their lucrative client, higher fees increase the likelihood of auditor to client relationship which could comprise their professional independence and compromise the quality audits (Shakhatreh et al., 2020). As a result, increasing fees are anticipated to have a detrimental impact on financial statement quality. It is more likely that auditors who get unusual compensation will lose their independence. When fees are charged less than the market rate, they could boost customer loyalty to the auditor, who might then tolerate fraud by the management or aggressive accounting techniques (Shakhatreh et al., 2020).

### Competence of auditors influence on performance

Competence refers to the ability of a professional to execute the necessary technical skills, values and ethics at higher level of capacity to accomplish the role of the profession and to meet expectations. In order to be competent enough one should exercise a professional judgement. Competence refers to authority, knowledge, ability or a person’s ability, skill and work attitude to perform a certain task or job that is related to one’s position (Ridwansyah et al., 2018). It is an essential characteristic of someone who has a direct effect on one’s success at a workplace or can foresee outstanding performance. An auditor is required to be competent because incompetent auditors depend more on other people’s opinions when carrying out audit tasks as they have little or no knowledge and experience gained from training. An audit must be done by someone who has enough technical knowledge and has been trained as an auditor (Pupitasari et al., 2019; Kertarajasa et al., 2019). It is necessary for competent practitioners to be skilled and educated in order to spot financial statements that contains misstatements material as it is a requirement for an auditor to attain certain considerations when accomplishing goals (Suciwati and Suartika., 2020). Competence is a requirement for auditors to have formally educated in auditing, suitable practical experience for the job that is being performed and to do a continuous update of professional knowledge and skills at a certain level on a continuing basis, so that the customer will be given competently regarding the modern advances in practice (Kertarajasa et al., 2019).

A few scholars came up with results that auditor competence has an influence on performance of an auditor (Puspitasari et al., 2019; Ridwansyah et al., 2018). This indicates that the more the competence, the better the performance. Performance is not only influenced by competence but also incentives contribute (Ridwansyah et al., 2018). Competence is required to assist the firm in creating high-performance work culture. The code of ethics is there to guide and control the behavior of an auditor and must be obeyed in the audit processes.

### Audit firm size influence on performance

Firm performance is a fascinating subject not for academic scholars only but policymakers as well, whereby the firm size is one of the major factors that decides the operation of any initiatives (Hung et al., 2021). The range of a firm’s size is typically associated with its market power. Users of financial statements frequently rely on the obvious variables that serveas indications of quality (Shakhatreh et al., 2020). It is expected that larger audit firms will offer high quality audit services than smaller one. The less likely a larger company is to act cunningly because, if the quality I reduced the firm will damage its reputation.

Management prefers an audit firm with good reputation and large in size as this will greatly enhance the quality of financial reports. Bills et al (2015) could not pair the size of a firm with quality, they recommended that small audit firms that are from professional associates offer higher quality audits as large audit firms. A large company may include some employees with a variety of professional backgrounds and skills, which aid in issue solving and have an impact on performance (Rahman et al., 2019). They perform better audits because they have got the knowledge and experience. The size of a firm is mainly comprised of total assets which is the major variable of firm size that determines performance trailed by the total labor and growth rate. Large audit firms with high and good reputation can attract specialized personnel with their resources so that they can perform better audits. Furthermore, a good reputation is measured by the growing of number of firms being audited and the size of the firm. However, if the scope of the audit is too broad, this can occasionally result in lack of focus on the task at hand as well as cooperation among the auditors for good and pertinent decision-making (too many cooks spoil the broth).

Statistically, the firm’s size has no influence although having a positive sign (Shakhatreh et al., 2020). This shows that, the audit firm size does not contribute to anything in other economies a Jordan. Depending with the investor protection, it is testified that quality of an audit is better in economies with a strong investor protection and authorized enforcement (Shakhatreh et al., 2020). In contrast, firm performance has a significant influence on firm performance (Hung et al., 2021).

### Work experience influence on performance

Work experience is related to the period an auditor works and the number of assignments completed. Having a good work experience is an advantage to auditors, thus the skill to spot mistakes and to make meaningful decisions. An experienced auditor is someone who is familiar with auditing procedure, the legal and regulatory requirements of the standard, and the operational environment of the company (Prawiti., 2022). In the modern days practical working experience has become a requirement in the auditing field.

Work experience is explained by factors including; the work period, which refers to a number of years of job a person has taken, a person’s ability to comprehend duties at hand, and work effectively done. Experience has a substantial impact on auditor’s performance (Pratiwi., 2022; Usman., 2021). In contrast, experience has no bearing on the quality of an audit (Furiady., 2022; Dewi., 2017). That is, having an expertise in a job does not improve quality of an audit.

## Strategies implemented by indigenous audit firms to improve performance

Performance refers to the achievement of tasks measured against set goals. Therefore, it is evidenced by the capacity of a business to provide clients with a good or service of high quality.

### Engage an Audit Team with experience and knowledge.

Experience is the entire lesson a person learns from the event they encounter throughout their lifetime (Nastir et al., 2021). It is a learning process that can be combined as both formal and informal education have the potential to improve conduct, or it can be viewed as a process that helps someone establish a better pattern of conduct. Unit of time and length of work determines auditor’s experience. In order to qualify as experienced auditors, an auditor must have worked as an auditor for a considerable number of years. The more the experience auditors have in the domains of accounting and auditing, the more knowledgeable they become and also the larger the capacity to perform a task. An individual will be more skilful and do the task more quickly than the longer they have been performing the same task. Compared to more experienced auditors, inexperienced auditors make a larger percentage of errors whilst professional auditors can deliver superior audit quality (Nastir et al., 2021; Kertarajasa et al., 2019). The time spent on a job or task is referred to as work experience. The type of work a person has done is revealed by their work history, which also offers prospects for improvement. With more audits performed, conversations about auditing among co-workers, the presence of training program and the adoption of industry standards, the auditor’s experience will grow even further (Rahmawati and Indrijawati., 2020). Experience is crucial for the development of one’s cognitive and moral faculties and is regarded a significant variable in the prediction of auditor performance. The degree of success in detecting fraud and financial statement inaccuracies can be affected by experience.

The processes taken to review the financial statements can be used to gauge level of experience of auditors, both in terms of time spent and the number of jobs they have completed (Nastir et al., 2021). Work experience is the variety of occupations or positions that a person has held, as well as the duration of time spent in each of these jobs or positions. In comparison to less experienced auditors, those with more knowledge of error and fraud will perform better when it comes to spotting fraud situations. However, auditors who put a lot of hours will run into a lot of situation or issues that can expend their knowledge and skill (Rahmawati and Indrijawati.,2020).

Employees with greater education and experience are more likely to earn higher salaries than those with less education and experience. A sign of appreciation for one’s professional organization I to take this factor into consideration. These factors may also encourage staff members to learn more. The experience of an auditor is crucial to finishing the assignment and the ability to complete audit tasks more efficiently increases with experience (Nastir et al.,2021). Every decision made during an audit is influenced by experience as well, thus it is hoped that every choice is the proper one as the auditor will become more skilled and will be able to identify risks inside a business. The ethical norms and values that are inherent in auditors cannot be separated from auditors when discussing ethics. According to some, ethical standards serve as the fundamental foundation for the moral regulations that direct how members perform their professional service offering. The capacity to spot fraud is significantly improved by findings of auditor experience testing, auditors with significant auditing experience, in particular, has got access to resources that can enhance knowledge, skill and capacity for identification of fraudulent activities (Rahmawati and indrijawati., 2020). The more assignments and business kinds an auditor handles over time, the more knowledge and understanding he or she will have. Their awareness and sensitivity to mistakes or fraud will increase as a result. The level of performance of the auditor is investigated aimed at influencing and assessing the ability of auditors. This ensures that the process will be efficient as a lot complicated processes are involved that is time consumed will be minimized. The process will be much easier.

### Encourage communication in Audit.

Communication is referred to as an active process which needs the mind and courage to be in control so as convey messages in an effective way when exchanging ideas (Adagala., 2017). One of the key duties of an auditor is to execute two-way contact with the customer and to maintain good informants. In the auditing process, both verbal and nonverbal communication occurs. Conversations with customer, the management, the committee of the audit and a member of the audit team made up the verbal communication. Major aspects of auditing that include confirmation letters, client representation letters and other written findings. Written evidence is thought to be more trustworthy than spoken testimony. Assessing the impact of mode of communication is important since audit associates frequently have a choice in the method of contact for client inquiries, such as whether to speak to the client in person or send an email (Durkin., 2021). Additionally, auditors should be mindful that their level of suspicion may change depending on the client’s chosen method of communication. There is very much awareness of the position of communication in the audits and it will enhance internal market positioning. Excellence in service delivery is one of the most important aspects in obtaining customer satisfaction. When a client is happy, they will stay with the company. In the auditing industry, there is a function of allowing clients to stay with the same auditor with a different rotation.

### Promote a positive work

A positive work environment refers to an environment whereby there is faith, teamwork, wellbeing, carefree support and responsibility within that environment. To achieve this, there should be trust as well as the absence of fear (Weiss., 2018). Auditors should be able to work together with the aim to achieve the same goal, that is what is called cooperation and is very crucial for members to share the same purpose in order to avoid problems in communication amongst members. Firms should create a positive work environment culture (Burke., 2019). For example, showing gratitude and appreciation and also celebrating wins amongst members. Auditors should be provided with important and basic office supplies and also allow them to work comfortably personalizing their workspace making it their own. Therefore, there should be a work-life balance and also minimum working hours should be favourable for everyone. The level of responsibility should be maintained, one should not perform tasks that is above their tittle. To avoid multi-tasking for the environment to be positive, there is need for segregation of duties to reduce workload.

The environment where people work, which includes the job description and working conditions, is referred to as the workplace (Alemu., 2022). Each of the factor affects the overall performance of auditors and productivity and is interconnected. The working environment contains all elements that may have an impact on employee’s health and mind (Pitaloka and Sofia., 2014). Consequently, an employee’s work place might have a favourable or bad impact on their well-being.

One of the broadest notion is work environment. The most significant factor affecting an employee’s motivation and subsequent performance is the workplace environment. However, excessive job demands and pressures are frequently a factor in workplace stress among employees. Stress can have a detrimental effect on employee’s performance and production for the company. Employees that work in demanding circumstance won’t feel comfortable with the company. Organizations make an effort to get rid of any unpleasant characteristic of the workplace in order for employees to be pleased with their work.

A few researchers came up with demonstrations that job dedication and satisfaction are highly influenced by the workplace thus, a substantial relationship between the workplace and job performance (Alemu., 2022; Pitaloka and Sofia., 2014). A positive work atmosphere can make employees feel well physically thereby increasing job satisfaction. The sum of people’s attitudes and sentiments within the organization is reflected in job satisfaction, which is measured by contrasting what is anticipated of employees and what they really receive from the company. A pleasant workplace can encourage employees to finish their task and help them feel at ease and secured in their position. When working condition are favourable, auditors will adhere to the company’s ideals, think they can accomplish its objectives and also think that joining the company was the right choice.

### Identify and solve poor performance issues

Identify the inability to meet standards expected within the entity. Auditors should know what is required of them be it personal development plans or company objectives or even any performance measurement tool. The firm should be able to distinguish between misconduct and poor performance. Failure to adhere to pertinent laws and regulations is considered misconduct. It is the duty of the management to clearly do regular checks with the auditors because sometimes there can be some notices on the behaviour of auditors. Regular feedback meetings should be conducted as well so that performance issues will be clearly stated provided that they don’t offend the auditors.

Poor performance often refers to a worker’s teamwork style, but it can be connected to the duties and responsibilities of the job (Scheiner., 2022). Poor performance is, by definition, when the performance of an employee is inadequate of his or her targets or expectation. Many businesses don’t always have a top-notch team available to them instead, they deal with numerous issues which results in subpar performance from their teams. Performance problems can occasionally be inadvertent and resolved with sound advice, but other times they are the result of deeper problems like employee disengagement and attitude about their jobs.

The following are the main drivers of poor performance namely: not knowing how to fix problems, very little or no motivation, personal issues and the disputes inside the team. A researcher has identified ways on how to reduce poor performance (Scheiner., 2022). Poor performance can be reduced by addressing subpar work performance with staff as soon as possible, instead of waiting for a performance review meeting that is three months away, speak with your employee during your next one-on-one encounter. Prior to that, consider how one contributed to directing the conversation, which may involve re-evaluating the employee’s workload, goals and role. Keep your eyes and ears attentive to what is happening outside of the screen, in the employee’s immediate environment. Instead of making general critisms, ask for specific employee input. After the talk, give the employee recognition and praise for their performance-related difficulties. Establish precise criteria to gauge performance. The measuring criteria and measures should be universally accepted. Make sure the team member is aware of the intentions when the discussion of the subpar performance begins. To know when one must respond as a manager, time is also crucial. If feedback is given too soon, there might be risk of the employer losing trust in relationship with employees. In essence, there is a learning curve for any profession and sometimes it takes time for people to find their rhythm and acquire abilities they need to work effectively.

### Bring technology and interactive training into practice

Technologies of Artificial Intelligence is essential for future of external auditing profession (Around., 2022). Technology is a vital tool that provide auditors with the means necessary for increasing the effectiveness and efficiency in their duties professionally. The goal of the study is to scrutinize technological influence on the audit function, from expert auditors in IT companies view. Information technology is the study, application, development, management and administration of computer information systems that transfers, stores, processes and secure information. The development of Artificial Intelligence (AI), big data analytics and blockchain technology investigates many modifications in auditing procedures that auditing professionals anticipate becoming necessary (Thottoli et al., 2019). Training offers and gives knowledge on attaining performance goals. Furthermore, appropriate training enables people to function well in IT context. Any technological approach used to aid in the completion of an audit is known as an audit technique. Professional auditors today are required to undergo re-examination for professional competency due to the sophisticated ICT changing contexts in which they do their work. This is due to the nature of practical skills and knowledge being necessary to face the difficulties (Thottoli et al., 2019). Despite not being used frequently, auditors reported that IT was crucial for a number of applications, including risk assessment, audit preparation, customer interaction and fraud checking. ICT training improves the job performance and software utilization and reinforce audit productivity and quality (Thottoli et al., 2019).

The study recommended increased interest technological advancement by audit offices because of its scientific improvement in audit performance. Training stimulates the human intelligence and develops research theory therefore improving performance.

### Recognize and reward auditors

A gift, reward and benefit for an individual or organization are all examples of rewards, an organization’s reward program must be able to boost employee performance motivation and raise achievement levels (Silitonga et al., 2021). Employee appreciation is the act of praising company’s employees for their exceptional work, people are recognized for their engagement in the workplace through a system called reward and recognition, which can be intrinsic or extrinsic (Joseph., 2020). Employee appreciation at work generally aims to encourage particular mindsets, practices and actions that lead to improved performance and advantageous business outcomes. Giving employees the chance to learn and improve their skills is one of the best ways to show your appreciation for them. As a result, the awards created must be valuable from the perspective of the employees. Auditors must uphold accountability in order to sustain public trust. The auditor puts out a significant amount of audit work because he is accountable for his activities to the environment on both a vertical and horizontal scale. High thinking and motivation are necessary for a high audit effort to produce an appropriate audit judgement in the end. An incentive can spur auditors to exert more effort and generate high0quality audit reports. At the organizational level, using rewards can encourage workers to work harder and more productively, which affects motivation for performance (Silitonga et al., 2021). In order to retain skilled employees, the organization’s reward system design must be effective. Greater work satisfaction and enjoyment of work can be derived from the recognition leading to better auditor performance. If rewards are tied to performance standards, auditors will work hard to feel ownership and pride.

## Challenges faced by external auditors

### Digital technologies challenge

Digital technologies have changed the landscape of auditing work, technology systems are becoming precise and more sophisticated (Al-Khasawneh., 2022). Technology made it necessary for the profession to adapt to the demands of the business environment and the audit of digital technologies; additionally, it is necessary to comprehend the characteristics affecting accounting and control systems; additionally, these technologies must be employed inadvertently in the execution of audit operations in order to preserve audit quality, achieve competitive advantage and improve financial statements.

The regulatory framework, a change in the way accounting is processed and the advent of electronic disclosures and also the modification of the type of evidence are some of the problems associated with using digital technology as a component of the audit work environment. The use of electronic evidence, a range of internal control techniques and procedures many of which are evolving toward being totally electronic as well as an increase in audit risks are all factors. A plurality of services and the level of information technology faced by audit office clients are additional hurdles for external auditors (Al-Khasawneh., 2022). Challenges with the auditor’s academic and professional background in digital technologies are also present. The use of digital technology in accounting processing has caused the audit path to vanish, the form of the account cycle to change and one of the issues to external auditor has is the nature and techniques of electronic disclosure. Due to risks of distortion and amendment, the nature and qualities of the evidence have altered as a result of the audit’s path disappearance, making it more complex to determine the objectivity of the evidence and more challenging to spot modification activities. Digital technologies have executed new control environments and data encryption necessities as well as standards for data security that are different from the traditional one. Due to the increased likelihood of exiting a significant error, issues have contributed to a growth in audit risks and digital banking systems may be exposed to a variety of risks. In addition to the efficiency offered, technologically enabled audits offer more transactional proof of control gaps and higher clarity and precision regarding the transactions. The fact that technology might be overwhelming for auditors is another difficulty whilst current auditors still require data analytics skills, accounting students who have studied data analytics as part of their study are only just qualifying.

### Auditor Independence challenge

Independence threats are events, behaviors or connections that could compromise and auditor’s capacity to uphold the fundamental ethical standards (Hapanyengwi., 2020). It has been suggested that the incidences of independence risks, such as financial fee dependency, reviewing one’s work as a result of rendering non-audit services and familiarities gained via a protracted auditor employment, contributes to loss of auditor independence.

The credibility of the entire profession was damaged as a result of the famed audit firm Arthur Undersen disappearing from the accounting world due to the cozy nature of the connections between auditor and a client, which is unusual in professional services, has created an independence threat. One aspect that may undermine auditor independence is the type of connection that exists between the auditor and the client.

Hapanyengwi (2020) carried out a study to determine the auditor difficulties external auditors encounter when performing audits of major firm accounts. Although a sizeable portion of participants agreed that dependence on fees and the issue of auditors providing other services to the client were pervasive in the auditing practice of Zimbabwe, it was determined that threats to auditor independence were typically less common. Stakeholders in large companies require reliable, timely and accurate audited financial records and have concerns about independence of the external auditor in ensuring that management’ day to day operations are up to date. There are several and growing external problems, including over-reliance on fees and the proving of other services to the clients.

The research suggests that shareholders and clients be made aware of how auditors operate. They will be in a position to assess whether auditors’ reports supplied them accurately and reflect the state of the firm’s condition if they are aware of what to anticipate from an audit. Investors must safeguard their capital and it is in their best interest to keep tabs on business affairs. Every five years, a client should change its auditors and the audit firm should send staff to clients frequently.

### Coordination and communication challenge

Coordination and communication issue are frequently encountered by interdependent teams working in complex situations, according to prior study and theory (Downey and Bedard., 2019). It was discovered that language and cultural obstacles are less significant than client size and the structure of the global when it comes to communication issues.

When interdependent teams are unable to see or predict each other’s actions, coordination and communication problems are likely to become worse. Failures in coordination and communication occur in these circumstances because reciprocal predictability of action is impeded. In a global context, interdependence is extremely problematic. First, a larger clientele is more likely to prevent reciprocal action predictability. Due to the amount and complexity of transactions being greater for larger businesses, audit work must be more thorough. The usage of specialists may be necessary for larger clients which would increase the number of dependant agents and consequently the possibility of coordination and communication breakdowns. Additionally, very big companies are probably subject to stricter regulations.

### Multitasking audit environment

The members of an audit team frequently have many concurrent engagements allocated to them (Sidgman et al., 2021). As a result of the demands of their other engagements, audit team members regularly have to take breaks while working on one engagement. The environment of multitasking includes interruptions that cause people to switch their focus from a major job to a secondary task (such as recognizing internal control flaws for one engagement). This environment distinctions with a multitasking setting, where a person carries out two or more tasks simultaneously. Audit practitioners whom are consulted states that disruptions are more dominant in the audit setting than performing tasks concurrently related to separate engagements. In spite of the multitasking demands imposed by auditors’ workloads, cognitive theories on interrupted task performance suggests that when one task conflicts with another, human lack the mental capacity to multitask successfully.

Specific features build into computer-mediated communication technologies can lessen the negative effects of multitasking, leading to a net improvement in team performance. Studies have found out that tax professionals who multitask experience increased decision bias and lower decision quality when dealing with financial analysis and auditing (Sidgman et al., 2021).

### Ways of motivating external auditors

The motivation is intended to be the urge to do action. The driving force behind someone’s fierce determination to pursue their goals and uphold moral standards (Suciwati and Suartika., 2020). The auditor will be motivated to succeed, commit to the organization and demonstrate great initiative and positivity.

Since the performance of a company depends on its employees performing their duties as expected, motivation is a crucial concept in accountants’ or auditors’ conduct. According to specialist in thinking and behaviour, people typically make decisions based on desired rewards and pick actions that enable them to receive the reward. The main reason auditors perform audits is to maintain operations and company continuity in their favour.

The consumer demand and the availability of various commercial needs are additional factors that contribute to an auditor’s motivation. A person’s motivation to act is a desire within them. A person will frequently take action in order to accomplish a goal and motivation served as the impetus for this tendency to act in certain ways, forcing it to rely on the expectation that those actions would result in a particular output and the auditor’s preference for that output.

There are a number of things to take into account when determining an auditor’s motivation at work, including the variety of jobs and activities, audit fees, a gain in status, the likelihood of receiving rewards and the need to show one’s competence to work.

## Important Research Studies.

**“Factors affecting the quality of external auditor performance” An analytical study of the opinions of auditors working in Iraqi audit firms and companies by Ghadhab et al., 2019.**

The study aimed at giving a clear knowledge base on the factors affecting the quality of external auditors’ performance in auditing firms of Iraqi. The role of external auditing independence is to increase the reliability of audit reports by providing high quality performance. this study highlighted the essential role of the auditors’ performance. an evaluation of the auditors’ opinions in Iraqi audit firms was related in finding the factors that affect performance. A survey was done, 102questionnaires were circulated to audit firms in Iraqi which was the geographical area of the study. Accountants and auditors were given the questionnaire in order to obtain accurate information relating to the study that is more reliable and relevant. SPSS and a Five-Point Likert Scale were the two methods of data analysis that were used. The findings concluded that there is need to reinforce the role of external auditors by giving instructions, guidelines and controls to mold the accounting and auditing profession. It was recommended that auditors need to comply to the quality controls and broaden independence from clients which improves confidence in the reports.

**“The impact of internal audit quality on financial performance of Yemeni commercial banks” by Hazea et al., 2020.**

The study looked at how internal auditors bring a systematic approach to improve the effectiveness of risk management and reviews the internal control system of the organization. The research was conducted in Yemen, a developing country, and the scholars highlight that IA functions offers accountability and transparency. The study investigated the influence of IA in the financial performance of commercial banks. The framework used for the study utilized five key variables and these are “independence of IAs, adherence to International Auditing Standards, governance principles implementation, size of the internal audit and frequency of internal audits committee meetings. The scholars employed a quantitative research design in collecting from a sample of 42 participants. The findings of the study reported that adhering to International Auditing Standards, independence and quality governance were key aspects to determine financial performance. in addition, number of participating internal auditors and meeting, frequently were also significant in determining performance. This recommends the importance of independence in the audit process.

**“The influence of sustainability reporting on environmental and finance performance” by Sumaryati and Rohman., 2019.**

The research observed the link between Sustainability Reporting Disclosure Index and environmental disclosure. Fifty-two entities that are listed on the stock exchange on a certain period were used as a sample for the research that was carried out. The area under study used secondary data that was composed from an internet site of the entity and the listed stock exchange. The findings were that sustainability reporting has a positive impact on financial performance and other performances such as environmental. Moreover, the results showed that only Sustainability Reporting has an effect on financial performance and environmental performance. it proved as an in between link on Sustainability Reporting Development Index with financial performance of a company.

**“The differentiation of quality among auditors: Evidence from the not-for-Profit sector” by Krishnan and Schauler., 2000.**

The research aimed to examine for the link between size of the firm and the quality of audit. A sample of NFP entities with eight GAAP reporting requirements was conducted. The outcome stated that noncompliance was the uppermost relating to NFP. However, not complying with the reporting requirements decreases as an entity grows from being small to large. A positive link was determined between the size of the firm and the quality of the audit.

**“The relationship between quality management systems and organizational performance in the Italian National Health Service” by Macinati., 2008.**

The study targeted on explaining the factors affecting quality managing structures to assess the impact of those fundamental factors on performance. A public Italian survey was done on the health department. The scholar concluded that the findings of the fundamentals of quality were defined as core values and should have been well-thought-out as important aspects of the quality managing structures implemented by the health department. An Italian public survey of 352 was done and 42% were the percentage of the respondents in total. The outcome long-established that the quality fundamentals defined as “core values” should be well-thought-out as elements adopted. This is so different from similar models and studies activated by the entities that rewards for quality. It considers the elements in relation with the presence and part of the department of quality.

**“Supreme audit institutions in a high-impact context” A comparative analysis of performance audit in four Nordic countries by Johnsen et al., 2019.**

The research aimed at analyzing data concerning the effect of supreme audit institutions’ (SAISs) performance audit on the administration of the public in 4 Nordic nations. A regression analysis was used from the 4 Nordic countries namely: Denmark, Finland, Norway and Sweden. The results showed that performance audits have a positive effect on the usefulness, variations, developments and also on the accountability as supposed by the auditors who experience audits. It was concluded that some of the factors that affects performance of other countries also affects performance audit of all the 4 countries. However, supreme audit institution’s validity, quality of the audit and costs of media care were essential factors.

**“The upsurge of performance auditing in Australia and evaluated the focus across authorities of audits and the role played by stakeholders when putting it into practice” by Parker et al., 2018**

The study explored the upsurge of performance auditing in Australia and evaluated the focus across authorities of audits and the role played by stakeholders when putting it into practice. In this study, documentary analysis and interviews were used. The performance audit has inconsistently grown across authorities. Despite auditor discourse concerning backstage performance audit intentions being strongly focused on evaluating program outcomes, published front stage reports retain a strong control focus. While it seems to mirror Auditors-General reluctance to account the government police. However, from the conclusion made there is direct and indirectly relationships evolving between the Auditor General and members of the parliament, the broadcasting team and the public.

## Research Gap

A gap in a study is an issue pr concern that has not addressed or have been left out. It is assumed that any effort will add on to the literature. Studies must be researched further to identify the factors that influence external auditor’s performance in indigenous audit firms as the scholar has discovered that no research has been done on the factors that influence the performance of external auditors in indigenous audit firms.

## Chapter Summary

The chapter started with the introduction and dividing the framework from where the variables in the research study were designed. It also showed the empirical literature of previous similar studies around the world and also the theories under the area of the study were explored. Most of the previous researches have been taken in many economic conditions inclusive of Zimbabwe, that is the research intend to plug in the breaches on factors influencing performance of external auditors.

# CHAPTER III

**RESEARCH METHODOLOGY**

## Introduction

A methodology is a strategy that is employed for gathering data by researchers to identify problems, explore and solve them. This chapter gives focus on research design and data collection tools used by the researcher as well as describing briefly the methods used to collect data. Several steps were explained to assure the validity and reliability of data that was collected. Research tools seconded to meet the mentioned objectives are also described. It also clearly outlines the population that was targeted.

## Research Philosophy

A research philosophy is the beliefs regarding ways of collecting, analysing and using data basing with the nature of knowledge (Ramsberg., 2018). Additionally, it might be seen as what the researcher believes to be reality, truth and knowledge. There are two major philosophies namely positivism and interpretivism. The researcher’s wisdom is determined by their research philosophy. She sought to find and measure the factors therefore concentrated on the positivism concept. Positivism is a quantitative model suitable for the research under study as it tests for hypothesis. Any philosophy that limits itself to empirical data is considered positivism. In order to provide information, it is a philosophy that is grounded in scientific data from experiments and statistics.

In addition to being quantitative, the positivism paradigm permits the selection of a sizeable sample from the population, which improves the generalizability of research results. It was decided that the method was appropriate for this research because it is acceptable when time and resources are limited, as they were in this study, provided that it is a quick and economical approach.

## Research design

A research design refers to an approach used to address research questions (Thakur., 2021). In this chapter, research strategy and approach were looked at. A descriptive research design was employed because it was appropriate for the area under study. A descriptive research design is referred to as a technique for observing and describing the behaviours of the research. It was directed to investigate factors that influence the performance of external auditors as it was the main objective. Data must be collected to fulfil the needs of the study. The research design allowed the research to acquire information that was required to investigate the factors. Primary data was collected for the study as per the aim. The descriptive design permitted the scholar to be elastic when gathering data together because it aimed at identifying characteristics, trends and categories that were used. Data analysed using the descriptive statistics is very relevant and moreover served a purpose of simplifying the outcome of the study. Furthermore, when using a descriptive research design privacy is taken into consideration. However, the researcher can be given prejudiced responses because respondents might not be able to give the information. Some targeted plaintiffs might not be able to give accurate responses when being questioned if they feel that the questions are too personal. To protect the respondents’ anonymity, it was complete pure that the data gathered was for educational purpose only. Hence confidentiality was protected.

## Target Population

Population is the sum or totality of all things, people or individuals who fit a certain description. The target demographic for the study is the group that will examine or attempt to help (Majid., 2018). The target group for this study consisted of all local audit businesses that are on the list of PAAB Registered firms-ICAZ (2018).

## Research Subjects

Subjects are referred to the exact participants of the study that is those who took part in the research (Hosier., 2019). This research targeted audit partners, audit managers, audit supervisors and audit seniors of the indigenous audit firms that were selected as respondents of the study.

## Sampling

### Sampling technique

The researcher had to utilize simple random sampling on selecting the sample of the indigenous audit firms, where participants willing to participate from firms that were accessible were approached. Simple random sampling is a population subset chosen at random (Rahman et al., 2022). It is more practical as it offers all participants from the population an equal chance of selection.

### Sample size

A sample size is a condensed group of objects chosen at random from a population in order to approximate the characteristics of the population as a whole. Using sampling techniques, a suitable for the study can be chosen. Sample size is important especially for data analysis methods to be used. 25 firms were selected whereby 4 auditors were the respondents per firm consisting of audit partners, managers, supervisors and seniors to make a sample size of 100.

## Primary data

First-hand knowledge is primary data, which the researcher collects for the first time (Ajayi., 2017). As it is being compiled for the first time, it is unique, trustworthy and factual. Primary data is acquired from people who are actually experiencing the issue or challenge one is trying to solve. It is consequently more precise and reliable than other types of information that can be acquired through surveys or interviews. By collecting original data from those who are affected by the issue at hand, one might learn information. Additionally, it makes research more efficient because fewer participants are needed; only enough persons with first-hand information with the issue are sufficient. Primary data is frequently more relevant since it considers all aspects of a person’s experience rather than just one, making it more complete. Better solutions that accurately and effectively reflect everyone’s reality ultimately arise from this.

This study employed primary data to fulfill the research objectives. Primary data provide more realistic and accurate results because it is obtained from the original source rather than that which have been already published by others. However, it can be obstructive and disruptive, necessitating repeated interruptions of daily routines. Furthermore, one might not get access to all necessary information and might not represent the entire audience.

## Research Instrument

In order to obtain information for the determination of the influence of the auditor performance factors, a questionnaire approach was used. Instruments need to be reliable and valid.

### Questionnaires

The goal is to gather data from participants about their attitudes, experiences and opinions. Questionnaires were the primary data tools used by the researcher. The questionnaires were prepared by the scholar and dispersed to the besieged respondents to plug in the gaps and to tick what was required of them thus self-administered questionnaires through google forms. Structured questions were largely used because the scholar wanted to give boundaries as to the material of the study. The questionnaires were carefully designed to tabulate and analyze data. For the goal of gathering data, open and close ended questions were used. There were two sections on the questionnaire. Demographic information on the respondents was covered in section 1 and detailed information, research questions were drafted on section 2. The reliability relates to how accurately a test instrument is in relation to how it has been created to meet the testing purpose of the study. The gathered data was transformed into a quantified figure for further examination of the study’s goals.

Moreso, questionnaires are very easy to answer since most of the time they will be self-administered. However, employing the questionnaire method has a poor response rate since people have anti-questionnaire phobia. Many researchers have utilized this tool including Jachi & Yona., 2019.

### Pilot Testing

The level of pilot test depends of the size of the research (Cooper and Schindler., 2014). It is a small study done to collect data and identify errors if any on the questionnaires. The testing was done using 10 questionnaires to determine reliability of the questionnaires. The questions that needed to be edited to come up with a final questionnaire for data collection.

### Administration of research instruments

The instruments were administered on google forms and MS Excel. Self-administered instruments are more economical in terms of manpower and may result in greater patient disclosure, particularly when gathering sensitive information (Rodriguez., 2015). However, there is a possibility of more missing data and inability to clarify any ambiguities in the questions or response choices.

## Data Presentation

Data presentation was conducted using tables and charts. Tables and charts are easy to interpret and can act as quick reference that is the reason why they were used. Pie charts are used to show how results are divided into different segments. They demonstrated different classes visually. They provide a visual representation of a category of a percentage of the total amount of data. However, pie charts can only apply where there are two or more different categories in the collected data set. Due to the nature of responses, the researcher used scales to rate the responses.

## Data Analysis

It is the description, analysis of data in a manner which is organized. For each variable, scores were generated in MS excel and the results were then sent to SPSS for analysis. SPSS is a reliable, thorough and accurate package for analyzing raw data that has been used in many fields to demonstrate accuracy and dependability. To evaluate and validate patterns, descriptive statistics were used to the data.

**RQ1** Multi linear regression analysis is the statistical technique that was used to support or refute the hypothesis, supporting or refuting the theoretical postulates that serve as its foundation. It looked at the connection between of dependent and independent variables. However, it comes in a variety of forms although all of them look at how one or more dependent variables affect the dependent variable.

**RQ2:** This research question intends to use descriptive statistics. Frequencies and percentages for categories were used for continuous data.

**RQ3:** Descriptive statistics was used to analyze this research question to produce valid and reliable findings

**RQ4:** A descriptive statistic approach was used for analyzing the research question to come up with conclusions. Characteristics and distribution of values in datasets of the research question. The frequencies and percentages are calculated.

## Data Validity and Reliability

It is a procedure which guarantees that all the questions were answered in the correct manner and the respondents gave realistic answers as per expectations of the area under study. Experts of the auditing field were used to judge whether or not the data offered were of any help to the student to derive substantial results that contributed in responding the questions to the research. This was of help to the researcher to fill the gap under the investigation. Correlation between the results was measured to assess validity. The student used Cronbach’s alpha to determine reliability of the data.

## Chapter Summary

This section was attentive on the methodology that is how the study was conducted by the researcher. This study was built on descriptive research design so as to accomplish its aim. The student made use of primary sources of data to increase richness of the research. It shows how the data was collected, analyzed and presented to answer the research questions with the outcome.

# CHAPTER IV

**DATA PRESENTATION AND ANALYSIS**

## Introduction

The chapter was written to present data, analyse and discuss the findings of the present study. The researcher seeks to investigate the factors that influence performance of external auditors in indigenous audit firms, to ascertain the strategies implemented to improve external auditor’s performance, to identify challenges faced by external auditors when carrying out audits and recommend possible ways to improve external auditors’ performance. Numerous analytical techniques were employed to describe and assess the data obtained so as to achieve the aim of the research.

## Research Tool Reliability Test

**Table 4.1: Reliability measure**

|  |  |
| --- | --- |
| **Reliability Statistics** | |
| Cronbach's Alpha | N of Items |
| .705 | 31 |

The scale has a Cronbach’s Alpha of 0.705. This is above the required of 0.6 and also below 0.95 that is not a required level according to Ursachi et al., 2015. This therefore means that the scale is reliable and can be used for further tests.

## Response Rate

From the 100 distributed questionnaires, 5 were not returned making a response rate of 95%. Response rate of 60% is enough for giving a general view of a targeted population and also for producing comparable data (Draugalis and Plaza., 2008). This is illustrated by the table below.

**Table 4.2: Response rate**

|  |  |  |  |
| --- | --- | --- | --- |
| **Participants** | **Questionnaire issued** | **Completed** | **Response rate(%)** |
| Audit partners | 25 | 24 | 96 |
| Audit managers | 25 | 25 | 100 |
| Audit supervisors | 25 | 23 | 92 |
| Audit seniors | 25 | 23 | 92 |
| **Total** | 100 | 95 | 95 |

## Demographics

Characteristics of the participants were taken into consideration whereby position at work, educational background and years of experience were included on the assessment.

### Position of respondents

The sample size consisted 95 participants. 25% of the participants occupied the position of audit partners and 26% occupied the audit manager position. The audit supervisors contributed 25% of the sample size and the audit seniors contributed to 23%.

**Table 4.3: Position of respondents**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Valid Percent |
| Valid | Audit partner | 24 | 25.3 | 25.3 |
| Audit Managers | 25 | 26.3 | 26.3 |
| Audit supervisors | 24 | 25.3 | 25.3 |
| Audit seniors | 22 | 23.2 | 23.2 |
| Total | 95 | 100.0 | 100.0 |

### Level of education for the participants

The educational backgrounds of the respondents were investigated and they were classified into six categories. From 95 respondents, only 6% had a diploma in accounting, and 52% acknowledged that they had a college degree. A total of 36% highlighted that they had Masters Degree and those with Doctorates contributed 6% to the total sample for the present study. The results therefore shows that majority of the respondents were degree holders and the least had diplomas and PHDs.

**Table 4.4: The level of education**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Valid Percent |
| Valid | Diploma | 6 | 6.3 | 6.3 |
| Bachelor Degree | 49 | 51.6 | 51.6 |
| Master Degree | 34 | 35.8 | 35.8 |
| PHD | 6 | 6.3 | 6.3 |
| Total | 95 | 100.0 | 100.0 |

### Years of experience

A total of 95 respondents highlighted their years of experience. A frequency of 27 respondents indicated that they had served as auditors for 16-20 years. A frequency of 20 participants highlighted they served as auditors for 11-15years. Only 19 participants reviewed that they served as auditors for 5-10 years. The respondents who served a auditors for less than five years had a frequency of 29.

**Table 4.5: Years of experience**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Valid Percent |
| Valid | < 5 years | 29 | 30.5 | 30.5 |
| 5-10 years | 19 | 20.0 | 20.0 |
| 11 – 15 years | 20 | 21.1 | 21.1 |
| 16-20 years | 27 | 28.4 | 28.4 |
| Total | 95 | 100.0 | 100.0 |

## Factors influencing performance of external auditors in indigenous audit firms.

**Table 4.6: Anova**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **ANOVAa** | | | | | | |
| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 24.342 | 4 | 6.086 | 1.453 | .023b |
| Residual | 397.898 | 95 | 4.188 |  |  |
| Total | 422.240 | 99 |  |  |  |
| a. Dependent Variable: Performance | | | | | | |
| b. Predictors: (Constant), Experience, Audit\_fees, Independence, Competence | | | | | | |

Anova was used to check the normality of the data. Since the p value was below the critical value of 0.05, it was concluded that the data was statistically significant.

## Regression coefficients

The table below presents the regression coefficients for the four independent variables namely: independence, competence, audit fees and experience on performance. the results shows that there is a positive correlation between the aforementioned independent variables and the dependent variable. This is evidenced by the Beta coefficients of 0.168,0.56, 0.091 and 0.107 respectively.

Regression coefficients for Independence, Audit fees, Competence and Experience on Performance

**Table 4.7: Regression coefficients**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Coefficientsa** | | | | | | | |
| Model | | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | | (Constant) | 4.983 | 1.883 |  | 2.646 | .010 |
| Independence | .191 | .122 | .168 | 1.571 | .000 |
| Audit\_fees | .063 | .117 | .056 | .537 | .002 |
| Competence | .089 | .107 | .091 | .832 | .007 |
| Experience | -.187 | .174 | .107 | -1.070 | .237 |
| a. Dependent Variable: Performance | | | | | | | |

The scholar’s aim was to identify the link between the above-mentioned independent variables and the dependent variable and the results were drawn from the SPSS software to achieve that aim.

### Independence

The results indicate a positive correlation with a t value of 1.571 and a p value of 0.00. The study’s findings led the researcher to the conclusion that as long as the external auditor maintains his or her independence both mentally and physically performance may be predicted to rise. As a result, the performance of the auditors will improve by 0.191 for every small improvement in the auditor’s independence. This supports results of previous studies by Nastir et al., 2021; Nur., 2015. Whereby independence has appositive effect on audit quality. Auditors must act independently on the job as per the recommendations from the analysis and conclusions of related studies, act responsibly when the examined results require improvement.

### Audit fees

The results demonstrate that there is a connection, which is statistically significant (t-value 0.537; p value 0.002). An enquiry was directed to the target population’s views with regards to whether high or low audit fees charged by auditing will result in a decrease or increase in performance. Using the data, the researcher came to the conclusion that normal audit fees charged to a client by an audit firm ensure that the auditors will be successful in carrying out their audit work as opposed to fee that are below or above normal that compromise objectivity and result in subpar performance because there will be conflicts of interest. These results are similar ro the findings of the research studies by Shakhatreh et al., 2020.

### Competence

Results related to auditor competence similarly indicated a positive relationship between auditor competence and performance, with a t-value of 0.832 and a p-value of 0.007. According to these findings, external auditor performance should improve by 0.107 as auditors continue to advance their professional knowledge and abilities. The results implies that the more competence of an auditor the better the performance which is similar to the findings of the research by Puspitasari et al., 2019; Ridwansyah et al., 2018. This means that the higher the competence, the better the performance.

### Auditor Experience

Auditor’s experience results have showed that there is a positive relationship between experience of auditors and the performance with a t-value of 1.070 and a p-value of 0.237. These resilts showed that there is a positive and statistically significant relationship between the two variables. The results are suggesting that the more experienced an auditor becomes, the more that auditor performs and should be expected to increase by 0.187. this study adds to the current literature by expanding on the paper by Prawiti., 2022; Usman., 2021. In contrast, work experience has no bearing on the quality of audits (Furiady., 2022; Dewi., 2017).

### Firm size

Firm size was excluded because its p-value was above 0.05. hence it was deemed not to influence performance. These results are similar to a researcher’s findings whereby size of a firm was concluded to have a positive sign, but statistically has no influence (Shakhatreh et al.,2020). In contrast, another researcher found out different results whereby the firm size was concluded to have a significant influence on firm performance (Hung et al., 2021).

## The strategies implemented by indigenous audit firms to improve external auditor’s performance

**Table 4.8: Strategies implemented by indigenous audit firms to improve performance**

|  |  |  |  |
| --- | --- | --- | --- |
| **Descriptive Statistics** | | | |
|  | N | Frequency | Mean |
| Interactive training | 100 | 26 | 3.69 |
| Recognising and rewarding employees | 100 | 30 | 4.81 |
| Promoting a positive work environment | 100 | 25 | 3.41 |
| Identifying and solving poor performance issues | 100 | 19 | 3.86 |
| Valid N (listwise) | 100 | 100 |  |

The table 4.8 above was used to present the descriptive statistics of independent variables that influence performance of auditors recognizing and rewarding employees being the strategy with a highest mean value than all other variables of 4.81. most of the respondents indicated that recognizing and rewarding employees is the most effective and used strategy to a very greater extent with a frequency of 30 which is the highest that boosts performance of external auditors in indigenous audit firms a frequency of 26 and 25 participants reflected that interactive training and promoting a positive work environment were key strategies implemented to a greater and moderate extent by indigenous auditors to enhance workers performance respectively amongst all the strategies identifying and solving poor performance issues is the least effective strategy as it has the smallest frequency of 19 this depicts that the strategy is implemented to a lesser extent by most indigenous firms to improve performance the findings were similar to those of other researchers in literature review by silitonga et al., 2021; joseph., 2020 whereby recognizing and rewarding employees is mostly used to improve performance.

## Challenges faced by external auditors in indigenous audit firms when conducting audits

**Figure 4.1: Challenges faced by external auditors**

The fig 4.1 above was used to present the descriptive statistics of challenges faced by external auditors when carrying out audits. Multitasking being the challenge which was faced to a greater extent by most of the auditors when with a frequency of 45 of the total respondents. It was found out that most of the indigenous audit firms do not have enough resources to employ a large workforce. Technological advancement challenge is affecting performance of external auditors when conducting audits to a greater extent with a frequency of 26. Threat to independence and coordination and communication challenges were faced to a lesser and moderate extent respectively. Threat to independence has a frequency of 13 whilst communication challenges have a frequency of 16. This is in line with previous conducted study by Hapanyengwi., 2020 where threat to independence is less prevalent in Zimbabwe. The results were also similar to other research studies by Sidgman et al., 2021; Al-Khasawneh., 2022.

## To recommend possible ways to improve external auditors’ performance

**Table 4.9: Recommendations to improve external auditors’ performance**

|  |  |  |  |
| --- | --- | --- | --- |
| **Descriptive Statistics** | | | |
|  | N | Frequency | Mean |
| Variation of tasks and activities | 100 | 8 | 3.85 |
| Setting clear and achievable goals | 100 | 37 | 3.68 |
| Awards being given | 100 | 40 | 3.81 |
| To demonstrate the ability to work | 100 | 15 | 2.23 |
| Valid N (listwise) | 100 |  |  |

The table 4.9 above was used to present the descriptive statistics of the recommendations to improve performance. That is, giving awards to the outstanding auditors being the opinion that was recommended to a very greater extent by most of the auditors to enhance performance. This poses that giving awards has a mean value of 3.81 and the highest frequency of 40. Most of the respondents recommended setting clear and achievable goal to a greater extent so as to improve performance with a frequency of 37. The least recommended opinions were to demonstrate the ability to work and variation of tasks and activities with frequencies of 15 and 8 respectively. Almost the same perceptions were recommended on way that can be used to improve performance as of the previous research studies by Suciwati and Suartika., 2020.

# CHAPTER V

**CONCLUSIONS AND RECOMMENDATIONS**

## Introduction

This chapter covered findings of the study from the data analyzed and presented in chapter 4. The chapter included an overview of the study, recommendations and conclusion. The chapter indicated the way which objectives have been answered and the accomplishment of the aim of the research.

## Summary of the findings

### To determine the factors influencing performance of external auditors in indigenous audit firms.

The findings for the first objective pointed out that competence, independence and audit fees does have an influence on performance. The greater frequency of the respondents indicated that independence positively influence on the auditors’ performance. Audit fees reflected to be contributing the least influence on performance. The findings of the present study resonates with the findings of (Ghadhab *et al.* 2019). Overall, the first objective of the present study sought to point out the factors that influences performance. Auditors must be unbiased and operate with honesty and integrity so as to attain productivity and deliver quality audit work that is independent. Essentially, for auditors to be competent enough only qualified accountants and auditors maintains professional skills and knowledge at a level necessary to guarantee that clients will get competent professional services based on practices that are trending at that time as the audit environment is ever changing. Audit fees should depend on the risks associated to the job that is they should neither be too high nor too low. Too much dependence on client fees contributes to the erosion of auditor independence since there will be conflict of interest when preparing audit reports.

### To ascertain strategies implemented by indigenous audit firms to improve external auditors’ performance.

The respondents indicated that recognition and rewarding employees is the most effective strategy that is used by indigenous audit firms to improve performance. Recognizing and rewarding staff members seeks to promote particular habits, routines, or activities that result in enhanced performance and beneficial business consequences. That is it gives employees the chance to learn and improve their skills and is one of the best ways to show your appreciation to them. Training is also another way used by audit firms as it offers and gives knowledge on attaining performance to peoples’ self-commitment. Audit firms also create a positive workplace culture by a way of showing gratitude and appreciation and also celebrating wins among members. Identifying and solving poor performance issues was identified as the least effective method that is used by firms and improves performance to a lesser extent.

### To identify challenges faced by external auditors in indigenous audit firms when carrying out audits.

According to the findings of the present study, most of the participants showed that they were facing the multi-tasking challenge when preparing audits. This is due to the fact most indigenous firms are too small hence they do not have resources to employ large number of workers. The independence challenge is faced to a lesser extent as all the auditors are obliged to be independent by auditing ethics. However, other research studies in the literature mentioned that the major challenge that is faced when preparing audits is the digital technology challenge (Al-Khasawneh., 2022).

### To recommend possible ways to improve external auditors’ performance

Most of the respondents in their opinions recommended that giving awards to outperforming employees can be a good way to enhance the performance of the auditors. In the present study, the literature highlighted that the most of the auditors can be motivated to improve performance by the variation of tasks and activities and audit fees (Suciwati and Suartika 2020).

## Conclusion

The data sources used in this research provided useful evidence for the study of external auditors’ performance in practice. The influence of the cited factors on performance was confirmed in the present study. The result showed that there is a possibility the objectivity or independence of auditors can be impaired if they are abnormal fees. The research results indicated that they are gaps in the external audit function in as much as competencies in computer audits is concerned. From the research findings, it was evident that external auditors need to be exposed to continuous development of skills and knowledge.

## Recommendations

The researcher suggests that to overcome the major challenge faced by firms of multi-tasking, firms should plan tasks that should be done per week. The researcher suggests that the indigenous audit firms, should adopt policies that enables auditors to continue reviewing their professional skills and knowledge over time. This can be done after every five years so as to help improve performance of external auditors in Zimbabwe. EAs should make sure that the quality of audited financial statements is raised by examining their audits, to reassure those who utilize financial statements. The introduction of punishments for those who breach auditor independence by engaging themselves in conflict of interest. Thus, there should be close supervision on the independence of auditors. Recruitment of multi-skilled auditors could enhance performance. That is external auditors would in turn concentrate in their areas of expertise. In the light of the study findings, it is recommended that external auditors in indigenous firms should be exposed to computerized audit training as new technology and systems come up. Performance should be regularly measured against set ta rgets.

## 5.4 Suggested Areas for Further Study

Auditors’ performance is a wide topic, the scholar proposes that more studies should be carried out on the factors that affect performance. It is also advised to conduct research on performance audit’s factors and its general definition.

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# Appendices

## Questionnaire

DEAR RESPONDENTS

I am a final year student at Bindura University of Science Education undertaking a Bachelor of Accountancy Honors Degree. I am doing research on the topic ‘“FACTORS INFLUENCING THE PERFORMANCE OF EXTERNAL AUDITORS IN INDIGENOUS AUDIT FIRMS**.”** As part of my research, this questionnaire has been designed to obtain information from different participants inclined more in the audit industry and your contributions are highly appreciated. Your contributions will be kept confidential and are limited for the purpose of this research and academic purposes only.

**Instructions**

1. Do not write your name
2. Answer all questions
3. Tick in an appropriate box
4. Fill in the gap where you are required to do so.

**SECTION 1: Demographics**

1. **What is the position of the respondent?**

Audit partner Audit manager Audit Supervisor

Audit senior

1. **What is your educational Level?**

Diploma Bachelor Degree Master Degree

PhD Others (Specify)……………………………………….

1. **For how long have been working at the firm?**

< 5 years 5-10 years 11 – 15 years

16-20 > 20 years

**SECTION 2:**

**OBJECTIVE 1:** To determine the factors influencing performance of external auditors in indigenous audit firms.

1. To what extent do the following factors influence performance in your organization? Using a scale 1- No extent; 2- Lesser extent; 3- Moderate extent; 4- Greater extent; 5- Very greater extent

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **FACTOR 1** | **1** | **2** | **3** | **4** | **5** |
|  | **INDEPENDENCE** |  |  |  |  |  |
| IND1 | Audit fees can affect independence of an auditor. |  |  |  |  |  |
| IND2 | The auditor is neutral when carrying out duties. |  |  |  |  |  |
| IND3 | The auditor gives unbiased perceptions when testing and assessing examined results and formulating audit reports. |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **FACTOR 2** | **1** | **2** | **3** | **4** | **5** |
|  | **COMPETENCE** |  |  |  |  |  |
| C1 | The auditor maintains his technical knowledge at a certain level on a continuing basis. |  |  |  |  |  |
| C2 | Skills and work attitude of an auditor to perform a certain task influences the quality of an audit. |  |  |  |  |  |
| C3 | An auditor with experience carries out audit tasks. |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **FACTOR 3** | **1** | **2** | **3** | **4** | **5** |
|  | **AUDIT FEES** |  |  |  |  |  |
| AF1 | Clients pay enough fees to maintain a decent level of service |  |  |  |  |  |
| AF2 | Audit fees is charged depending on the complexity of the work and the size of the client’s business |  |  |  |  |  |
| AF3 | High/abnormal fees have an impact on the quality of audit |  |  |  |  |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **FACTOR 4** | **1** | **2** | **3** | **4** | **5** |
|  | **FIRM SIZE** |  |  |  |  |  |
| FS1 | Firm size has a positive effect on the performance of the organization. |  |  |  |  |  |
| FS2 | The size of a firm depends on the wealth of audit partners |  |  |  |  |  |
| FS3 | Experienced auditors are attracted to firms which are large in size and with resources. |  |  |  |  |  |

Other (Specify)

………………………………………………………………………………….

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **FACTOR 5** | **1** | **2** | **3** | **4** | **5** |
|  | **WORK EXPERIENCE** |  |  |  |  |  |
| WE1 | The level of experience possessed by the auditor determine his/her performance |  |  |  |  |  |
| WE2 | The higher the auditor experience, the more capable and proficient the auditor has to carry out his duties |  |  |  |  |  |
| WE3 | Experience is based on the length of work or time an employee has worked. |  |  |  |  |  |

Other (Specify)

………………………………………………………………………………….

**OBJECTIVE 2:** To ascertain strategies implemented by indigenous audit firms to improve external auditors’ performance.

1. Rate how the following strategies are implemented by your firm? Using a scale 1- No extent; 2- Lesser extent; 3- Moderate extent; 4- Greater extent; 5- Very greater extent

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **STRATEGIES** | **1** | **2** | **3** | **4** | **5** |
| Interactive training |  |  |  |  |  |
| Recognising and rewarding employees |  |  |  |  |  |
| Promoting a positive work environment |  |  |  |  |  |
| Identifying and solving poor performance issues |  |  |  |  |  |

Other (Specify)

…………………………………………………………………………………….

**OBJECTIVE 3:** To identify challenges faced by external auditors in indigenous audit firms when carrying out audits.

1. To what extent does your organization face the following challenges when carrying out audits? **Using a scale 1- No extent; 2- Lesser extent; 3- Moderate extent; 4- Greater extent; 5- Very greater extent**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **CHALLENGES** | **1** | **2** | **3** | **4** | **5** |
| Technological advancement challenge |  |  |  |  |  |
| Threats to independence |  |  |  |  |  |
| Coordination and communication challenge |  |  |  |  |  |
| Multitasking challenge |  |  |  |  |  |

Other (Specify)

………………………………………………………………………………………………………

**OBJECTIVE 4:** To recommend possible ways to improve external auditors’ performance.

1. Rate how the following ways of improving performance are important at your organization? Using a scale 1-not at all important; 2- slightly important; 3- moderately important; 4- very important; 5- extremely important

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **THE IMPORTANCE OF:** | **1** | **2** | **3** | **4** | **5** |
| Variation of tasks and activities |  |  |  |  |  |
| Setting clear and achievable goals |  |  |  |  |  |
| Awards being given |  |  |  |  |  |
| To demonstrate the ability to work |  |  |  |  |  |

Other (Specify)

………………………………………………………………………………………………………………………………………………………