

## FACTORS AFFECTING THE QUALITY OF AUDITOR WORK AS A PUBLIC FINANCE MANAGER IN KOSOVO

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**Abstract:** As a vital force in maintaining democracy and the rule of law, public audit plays an essential role in enhancing governance efficiency, developing an administration with integrity, and improving people's lives. Differently and further, they provide a clearer complement to the necessary improvements to the legal framework for continuing efforts to formalize the economy, for good financial management of public finances, public funds, improving the quality of services and use in their struggle with abuse, theft and corruption, and their misuse. That is why the goal of change is to strengthen the audit role in the public sector. Building strong institutions is a major development challenge and is a key to controlling corruption. This research is based on primary data, namely, we are dealing with qualitative data and with the help of STATA the result is obtained and the hypothesis is confirmed. Also in this research we have followed the Meso theory and always based on the deductive approach. Audit is not a goal in itself, but rather an indispensable part of a regulatory system whose purpose is to detect deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and financial management economy. States are responsible for protecting the law and order for the protection of property rights, the provision of social security and public health, the education system, the clean environment, and macroeconomic management, finance regulation and monopolies. They do all this in a competent and impartial manner. People constitute an essential element of the control system and are those who can trample, circumvent or find ways to manipulate controls. The competence and skills of employees and managers are an aspect of the safeguards (controls). But just as importantly, elements such as integrity, ethical values, and the healthy spirit of employees and especially executives are gained. In an unethical environment, the risk of manipulation or malfunction of the control system increases. It is this intangible and extremely important element of the control system that naturally pulls on itself and the need to be audited. For the verification of four variables of our research, we are based on a sample consisting of 50 auditors working in various public institutions for a long time. This study approaches the audit function and follows the relevant model in the public sector context, referring to what was done in Kosovo in this area, namely from the National Audit Office. And the result of our research for the Republic of Kosovo is that the auditor's quality from our four most influential variables is the Independence of the Auditor, followed by the experience of the auditor's work and the attitude of the auditor. While the negative correlation in the auditor's quality is the size of the Firm to be audited.

**Keywords:** control, audit, efficiency, public sector governance, Kosovo.

### INTRODUCITON

The purpose of this research is to evaluate the work of the auditor in raising the quality and removing irregularities in public institutions in the Republic of Kosovo. The auditor's part is to detect deviations of constructed models and violations of the standards of legitimacy, productivity, sustainability and financial management economics.

Many authors have attempted to explain the quality of work with different variables both in terms of *Auditor's attitude*: (Rieder, Stefan, and Luzia Lehmann, 2002), (Rubin, 2006), (Okoli, 2012), (Hedger and Kizilbash, 2007). In terms of *Auditor Experience*: Aries Veronica, (2017), Chung & Monroe (2002), Wright & Wright (1997). *The size of the firm*: (Beatty, 1989; Titman and Trueman, 1986), Moore and Scott, [1989], Krishnan and Schauer, [2000], Krishnan and Schauer, [2000]. *Independence of Auditor*: Geiger and Raghunandan, [2002], Krishnan, [2003], Windsor and Ashkanasy, [1995], Magill and Previts, [1991]. Mathis & Jackson, (2000).

(Gul et al., 2013) used data to analyze how auditors affect audit results and they conclude that auditor effects on audit quality are significant economically and statistically. For the sake of our knowledge, there are several studies that investigate audit effectiveness and its determinants in transition countries. Therefore, the main reason for this research is that by looking at the situation of scarce research in Kosovo in this regard and taking into account the real situation of the functioning of public and private institutions then a research of this nature is indispensable. Therefore, the research question is who are the determinants of auditor quality? To address this research question, we put the following research hypotheses:

**H<sub>1</sub>**: An ethical attitude of an audience positively affects the elimination of irregularities

**H<sub>2</sub>**: The work experience positively affects the efficiency of the auditor's work

**H<sub>3</sub>**: The smallest firm with the most accurate audit and vice versa

**H<sub>4</sub>**: More independent auditor, more efficient auditing

To check the validity of the hypothesis, we used primary data through questionnaires where the sample consists of 50 auditors in Kosovo from the public sector. In addition, we used Anova from multiple regression. This study and its findings are in line with previous literature in this area. The contribution of this study is triple: First, this study will have scientific and practical significance for the design of more effective policies for the work of auditors by identifying several variables. Secondly, the document will provide evidence and information on the work of the auditor in Kosovo. In this context, transition countries are very interesting for debate. The results from this study can be used by policy-makers, leaders, and decision-makers to enhance the quality of internal control. Thirdly, this research will also be an information tool for further research related to auditing in Kosovo. The document is organized as follows: Section II – Review of literature, Section III - Descriptive Statistics, Section IV- Econometric Results and Section V - Completion.

**REVIEW OF LITERATURE**

Astonishingly, there are few studies that investigate causal direction between the work efficiency of auditors and the factors influencing them in countries in transition. Performance auditing has been described as an independent evaluation of the financial statements, efficiency of audit operations, and the effectiveness of programs in the public sector. Impression into perceptions of audit quality is important because it determines the credibility of the audit report (Shockley 1981) and that has the potential to erode public confidence in the integrity of the financial reporting system (Pany and Rockers 1988).

There is a large number of authors who have studied the correlation of these variables that affect the quality of the auditor's work. Many authors use different methods for assessing the influence of independent variables on dependent variables, different studies have shown different results, which are sometimes contradictory. Our research includes four factors affecting auditors such as Auditors Attitude (Etic), Work Experience in this Field, Firm Size *Auditor's attitude*

The auditor's attitude towards the financial statements opinion really affects the outcome of an entity's audit. Attendance affects the ability to organize, respond appropriately and ensure a quality audit. Generally, auditors who are in the job position are more open to business improvement they are organized, focused and above all arguing. In this regard a different author has spoken, for example (*Andre's Guiral, Emiliano Ruiz, Waymond Rodgers, 2010*) Following previous research on motivated reasoning, we assumed that the self-fulfilling prophecy effect could be interpreted as a potential motivational/incentive factor supporting auditors' reluctance to issue going concern opinions. Also, in their search for (*Harshini P. Siriwardane, Billy Kin Hoi Hu, Kin Yew L, 2014*) they said: "Our participants rate professional integrity, assessing audit evidence, and having a questioning mind (indicative of professionalism competency) as the three most important SAKs".

and Independence of Auditor.

***Auditor Experience***

While the other important factor in auditorial quality is the work experience. To confirm this variable that has positive links with the audit quality have spoken and other authors such as: (*Aries Veronica, 2017*), experience has an impact on the quality of the audit because according to its research, experienced auditors tend to have good accuracy and ability to solve any work/task. The same positive opinion is also given by (*Sarah E. Bonner, 2011*), (*Wright and Wright, 1997*).

***The size of the firm***

According to many authors, the size of the firm has an impact on the quality of the work of the auditor in relation to this have researched and different author: *Seyedhossein Nasmosavi, Saudah Sofian & Maisarah Binti Mohamed Saat*, whereas according to *Nedal Sawan and Ihab Alsaqqa* this relationship is positive in the middle the quality of the audit and the size of the firm.

***Independence of Auditor***

One of the most important variables that affects the quality of the audit is the independence of the auditor in making decisions. Meanwhile, auditors and clients are likely to have different incentives, resulting in differing perceptions of auditor independence and its effects. For example, auditors are less concerned than non-auditors about the independence problem caused by non-audit services (*Beaulieu & Reinstein, 2010*). These include the professional training of auditors, the significant adverse economic out-turns which may result from the provision of an inappropriate audit opinion, and the range of regulatory review and indeed sanctions – including those relating to corporate governance – which seek to ensure that auditors do carry out their work and make their judgements in an independent manner([David Gwilliam](#), [Oliver Marnet](#)).

**DESCRIPTIVE STATISTICS**

In our research, we've got a sample of 50 employees working as auditors in public institutions in the Republic of Kosovo, in order to measure the quality of their work. In the absence of secondary data, thanks to the questionnaires, we manage to cover all regions of the country. Work quality is the dependent variable and is measured by the question: "What are the determinants of auditor's quality?"

The respondents' answers in the survey are such as "not qualitative", "quality is enough", "Neutral", "Quality" and "High quality". Individuals had the opportunity to choose one of the answers with a metering order from 1 to 5. Whereas 1 means "not qualitative" and 5 means "High quality". Table 1 shows the cross-tabulation of five work quality measures as a dependent variable. As can be seen in Table 1, correspondents' responses of high quality performance are at 20 %. Only quality answers reach 12% while not quality only 2%. This result shows that employees in public and private institutions are efficient at their work.

*Table1 . Weighted distribution sample of quality at work*

Audit Quality		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not quality	2	2.0	2.0	2.0
	Quality Enough	7	7.0	7.0	9.0
	Neutral	9	9.0	9.0	19.0
	Quality	12	12.0	12.0	31.0
	High Quality	20	20.0	20.0	50.0
	Total	50	50.0		

50.0 *Source: Author's Calculation*

While in the table with number two we have presented descriptive statistics, and from the result we note that the the lowest deviation is the auditor's attitude followed by the auditor experience.

*Table 2. Descriptive Statistics*

Variable	Ob	Mean	Std. Dev.	Min	Max
Attitude_A	49	.42857	.21446	0	1
Independent_A	49	.36734	.25079	0	1
Size_Fim	49	.18367	.29473	0	1
Experience_A	49	.59183	.22945	0	1

*Source: Author's Calculation*

To substantiate our hypotheses we have presented and analyzed the multiple regression, exactly the table with the number 3.

*Table3. Results from ANOVA / Multi regression*

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. regress quality_auditor independence_auditor auditor_experience size_firm auditor_attitude
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Source	SS	df	MS	Number of obs = 49		
Model	39.5069604	4	9.87674009	F( 4, 44) =	18.98	
Residual	22.9012029	44	.520481884	Prob > F =	0.0000	
				R-squared =	0.6330	
				Adj R-squared =	0.5997	
Total	62.4081633	48	1.30017007	Root MSE =	.72144	

  

quality_auditor	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
independence_auditor	1.550515	.2507993	6.18	0.000	1.045062	2.055968
auditor_experience	.5935409	.2294546	2.59	0.013	.1311056	1.055976
size_firm	.108468	.2947333	0.37	0.715	-.4855279	.702464
auditor_attitude	.4153717	.2144619	1.94	0.059	-.0168478	.8475911
_cons	2.575082	.1955388	13.17	0.000	2.180999	2.969165

*Source: Author's Calculation*

For this in accordance with the revision of the literature and the evidence provided by our statistical data, we accept, Hypothesis 1: An ethical attitude of an audience positively affects the elimination of irregularities. And if

we look from the aspect of experience, we have 60% positive effect on auditor work quality in coordination with the results from (*Mu'azu Saidu & Zabedah, 2013*), for this we accept the Hypothesis 2: The work experience positively affects the efficiency of the auditor's work.

While viewed from the other variable, the aspect of the firm size the results negative in our research, for that we not accept Hypothesis 3: The smallest firm with the most accurate audit and vice versa, which contradicts the research results of *Nedal Sawan and Ihab Alsaqqa*. Then we accept Hypothesis 4: More independent auditor, more efficient auditing. All this is achieved by maintaining the confidence interval at 95%.

## CONCLUSIONS

Auditing in the public sector is key to good public governance, it is important to arrive the right resources for the right amount of time, also to achieve the governance objectives of the institutions. Although auditors may be able to add value to each segment of the organization for which they can offer independent, objective assurance. Any public sector entity requires any form of independent audit activity that has the authority to evaluate the full range of public sector activities. Full audit coverage is often provided by complementary external and internal auditing entities. Ultimately, public sector auditing strengthens public governance by ensuring accountability and protection of the core values of the public sector entity by ensuring managers and officials conduct public business transparently and honestly, such as and with justice and integrity.

The main purpose of this paperwork is to provide an empirical research of auditor's efficiency determinants in the case of Kosovo. The regression is used to evaluate relationships between work efficiency and the characteristics of individuals. The data survey of 50 employees as auditors in public sector, is used to investigate the work quality. Due to the lack of data from Kosovo Agency of Statistics or other relevant institutions, we carry out a survey that includes a questionnaire with employees and covers almost the whole country. The result of the regression model should be summarized as follows: Auditors in the Republic of Kosovo have an ethical position in the audit profession, as well as the auditor's work experience has a positive impact on the quality of work. While auditors make decisions independently on the financial statements of public institutions. As long as the size of the firm does not affect the quality of the auditor's work.

These results can be useful for policies, both in public and private sectors and for employers at large, because the research can be an information tool for each worker and a ground for further research regarding the audit in Kosovo.

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