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Independent External Auditors' Efficiency in Governmental Audits Spheres- Evidence from South African's PFMA Public Entities' Audits

كفاءة المدققين الخارجيين المستقلين في بيئة التدقيق الحكومي – حالة تدقيق المؤسسات العمومية الجنوب إفريقية التابعة لقانون تسيير المالية العامة

Efficience des Auditeurs Externes Indépendants au milieu des Audits du secteur public- Cas des Audits des Entités Publiques de la PFMA en Afrique du Sud

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ملخص: أدت إصلاحات القطاع العمومي في العديد من البلدان إلى تمكين المدققين الخارجيين المستقلين المنتمين إلى مكاتب خاصة من القيام بعمليات التدقيق الحكومي بالتعاون أو تحت رقابة الأجهزة العليا للرقابة المالية والمحاسبة. تستكشف هذه الدراسة كفاءة المدققين الخارجيين المستقلين في بيئة التدقيق الحكومي مقارنة بالمدققين الحكوميين. تم استخدام عينة من 506 تقرير تدقيق صادر عن مجموعتي المدققين لمؤسسات عمومية جنوب إفريقية تابعة لقانون تسيير المالية العامة من أجل اختبار T للعينات المستقلة لنتائج التدقيق واختبار مربع كاي لآراء التدقيق. تشير النتائج إلى أن المدققين الحكوميين يبلغون عن نتائج تدقيق إجمالية أكثر ويصدرون أراء معدلة بشكل أكبر من المدققين الخارجيين المستقلين، إلا أننا لم نجد فروقات ذات دلالة إحصائية في التقرير عن نتائج التدقيق المالي بين مجموعتي المدققين.

الكلمات المفتاحية: التدقيق الحكومي؛ المدقق العام لجنوب إفريقيا؛ المدققون الحكوميون؛ جودة التدقيق.

Abstract: Recent public sector reforms in many jurisdictions enabled independent external auditors from private audit firms to carry out public sector audits in cooperation or under the supervision of Supreme Audit Institutions. This study investigates how efficient are independent external auditors in governmental audits spheres compared to governmental auditors. A sample of 506 audit reports issued by the two groups of auditors from South African PFMA public entities is used for an independent samples t-test of audit findings and a Chi-Square test of audit opinions. Results show that governmental auditors report more total audit findings and issue more modified audit opinions; however, there was no significant differences in reporting financial audit findings.

Keywords: public sector audit; AGSA; governmental auditor; audit quality.

Résumé : Les réformes récentes du secteur public dans plusieurs pays ont permis les auditeurs externes indépendants venant des cabinets d'audit privés d'effectuer des audits dans le secteur public en coopération ou sous la supervision des institutions supérieures de contrôle des finances publiques. Cette étude examine l'efficience des auditeurs externes indépendants dans les sphères d'audit du secteur public par rapport aux auditeurs gouvernementaux. Un échantillon de 506 rapports d'audit émis par les deux groupes d'auditeurs concernant des entités publiques Sud-Africaines listées au PFMA est utilisé pour un test T pour échantillons indépendants des résultats d'audit et un test Chi-Square des opinions d'audit. Les résultats montrent que les auditeurs gouvernementaux rendent compte d'un plus grand nombre de résultats d'audit et émettent des opinions d'audit modifiées; cependant, il n'y avait pas de différences significatives dans la communication des résultats des audits financiers entre les deux groupes des auditeurs

Mots clés: audit du secteur public; AGSA; auditeur public; qualité d'audit.

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Introduction

This study aims to explore if South African independent external auditors report, when auditing public entities, a different number of audit findings compared to governmental auditors (auditors who work for Auditor General South Africa), and if they take a longer time to issue their reports. We also explore the differences between the two groups of auditors in terms of audit opinions in an attempt to test independent external auditors' efficiency in governmental audits spheres. We adopt Carslaw, Pippin and Mason's definition of auditor's efficiency as "accurately and timely spot reportable conditions as well as deficiencies" (Carslaw, Pippin, & Mason, 2012, p. 49) which corresponds to the well-known definition DeAngelo presented to audit quality, pointing that an efficient auditor is capable of detecting breaches in accounting system and reporting them in his report (DeAngelo, 1981, p. 115).

Since the transition to democracy in 1994, the government of South Africa has engaged in a sustained reform of the public financial management across the national, provincial and local spheres of government. The Public Finance Management Act (PFMA), which came into effect on April 2000, sought to modernize public financial management and secure accountability and sound management of national and provincial state organs. PFMA placed emphasis on accountability and introduced a number of reforms and regulations, inter alia, the Public Audit Act of 2004.

According to this act, public sector audits are held by the South African Supreme Audit Institution AGSA. This covers four spheres of government: national government departments; provincial government departments; municipalities; and constitutional bodies/public entities listed in the PFMA. Due to the size of these audits, AGSA uses various private audit firms to audit on its behalf or when it chooses not to audit certain auditees, those audit firms also help to augment its auditing staff.

The issue of governmental audits not being conducted by Supreme Audit Institutions has grown in importance in light of recent developments allowing private audit firms to interfere in the public sector sphere and the debate accompanying it. For instance, in 2018, AGSA terminated the auditing contracts with KPMG and Nkonki Inc., who used to do public sector audits on its behalf. The decision rose from disciplinary charges in KPMG and the improper conduct of external audit of VBS Mutual Bank, besides the Nkonki Inc's suspicious transactions (AGSA, 2018).

The South African case is of interest considering the literature gap in public sector accounting and auditing research in Africa (Johnsen, 2019, p. 122) as well as the interesting challenges posed in such environment that has been subject to several reforms and a substantial accounting change in a relatively short period. The South African case could provide additional evidence for research about the relationship between external independent auditors and public institutions in developing countries**.**

The results of this study are of interest to professional accounting organizations that monitor the accounting profession in different jurisdictions, seeking to adapt with public institutions' needs and to contribute in public sector reforms, particularly in developing countries. It also gives insight about how practical public sector audit reports are, which could be of interest to legislators and decision makers.

The remaining of this paper is structured as follows. The next section provides the background of the research. This is followed in the second section by the literature review and development of hypotheses. The third section presents the methods of the study. Sections four and five report the results of the study, discussion and conclusion.

1- Background of the study

New Public management (NPM) is one of the most widely known public sector reform paradigms that captured an extensive attention in literature. It refers to a public sector reform approach relies on implying, in public organization, governance and accountability mechanisms used in the private sector. It started in the beginning of the eighties in many Anglo-Saxon counties, and then it has spread, like many other management and accounting models, to the rest of the world under the influence of international organizations.

These reforms have led to the widespread use of recent technologies in public institutions and to the enforcement of new practices when performing their activities, such as contracting out and public-private partnerships. These developments transformed public organizations into a complex audit environment and obliged audit suppliers to keep up with these changes. Further, several studies argues that NPM applications have led to an exceptional development in accounting and public sector auditing in many countries accompanied with a crucial transformation in control of public money (Barezelay, 1997; Pollit, Waerness, Girre, Lonsdale, Summa, & Mul, 1999; Chong, Dolley, Houghton, & Monroe, 2009; Jeppensen, 2012).

Consequently, public sector audits have become a central issue for governments, public institutions, accounting professionals and even academics. The importance of audit as a governance tool and a compliance mechanism that is supposed to improve the overall control system of various institutions has brought more attention to governmental audits. Cagle and Pridgen (2015) suggest that the importance of auditing in the public sector is not restricted to empowering citizens to exercise control over elected bodies, but it also provides mechanisms that allow such institutions to improve their performance based on audit results (Cagle & Pridgen, 2015, p. 79).

Similarly, the certification of public institutions' financial statements by an independent auditor is one aspect of these developments. It seeks to specify more precisely and efficiently auditor's responsibility in a manner that is more compatible with modern international professional standards (Dewar & Warwick, 2017, p. 218). It also enhances transparency of public accounts and helps unifying different practices amongst public institutions. Nevertheless, imposing this certification by governmental legislations, given the growing number of issued financial statements that need auditing, resulted in a greater demand for audit services that some Supreme Audit Institutions could not meet, leading to the rise of outsourced public sector audits in line with NPM principles.

Outsourcing governmental audits that have been an exclusive activity for Supreme Audit Institutions for a very long time is also the product of reforms aiming to introduce accrual accounting in the public sector and the adoption of International Public Sector Accounting Standards (IPSAS) that required expertise from the private sector. For instance, Christensen (2005) argues that accounting professionals in Australia have been a "third hand" besides government and politicians to meet the requirements of accrual accounting in the public sector (Christensen, 2005, p. 449).

Furthermore, public sector has its unique distinguishing features that pose challenges for independent external auditors who are used to auditing private companies. Correspondingly, Thorne et al. (2001) suggest that there are two main economic features of public institutions compared to private companies: the lack of profit incentive and political dimension (Thorne, Holmes, McGowan, Strand, & Strawser, 2001). Baber, Brooks and Ricks (1987) emphasize that economic differences between the two sectors will lead to differences in the demand for and supply of audits (Baber, Brooks, & Ricks, 1987, p. 294). Consequently, public institutions might be subject to additional compliance requirements that are unfamiliar to independent external auditors (Bradbury, 2017). Those requirements could affect auditors who have to adjust their mission according to the needs of their auditees.

For these reasons, several authors investigated the differences between governmental auditors and independent external auditors when auditing public institutions. Most studies emphasize the importance of examining audit quality when outsourcing public sector audits. However, there are relatively limited empirical studies that assess outcomes of public sector audits conducted by independent external auditors (Brown & Raghunandan, 1995; Jakubowski, 2008; López & Peters, 2010; Branson, Decker, & Green, 2011; Carslaw, Pippin, & Mason, 2012; Cagle & Pridgen, 2015) .This kind of studies is even more uncommon outside Anglo-American countries. Thus, Johnsen (2019) argues that there's a huge public sector audits literature gap in African countries (Johnsen, 2019, p. 122).

The purpose of this paper is to investigate independent external auditor's efficiency when auditing public institutions using a sample of 506 audit reports from 101 South African public entities listed in the PFMA issued either by AGSA or by a private audit firm between 2013 and 2019. Our study tries to build on prior research that adopted the number of reported audit findings as a proxy for auditor's efficiency and compared between independent external auditors and governmental auditors.

2- Literature review and development of hypotheses

There is a growing body of literature that discusses public sector audit outcomes. Some suggest that the audit function is suitable for outsourcing considering its necessity to be conducted away from political influences insuring auditor's independence and competence. According to English (2003) outsourcing public sector audits aims to improve audit quality by allowing public institutions to benefit from the supposedly high quality audit services presented by big audit firms. Moreover, it serves to reduce costs using tenders (English, 2003; Funnell, 1998; Johnsen, Meklin, Oulasvirta, & Vakkuri, 2004).

López and Peters (2010) investigated audit quality in American public sector audits market after reforms aiming to improve the quality of services presented by private audit firms. They provide evidence that independent external auditors are more likely to issue reports that specify breaches in internal control compared to governmental auditors (López & Peters, 2010). Additionally, Australian accounting professional organizations argue that using private audit firms by Supreme Audit Institutions will serve in a better way public interest because competition will attract a variant range of skills in competitive prices (Karan, 2003, p. 18). Moreover, Johnsen et al.

(2004) suggest that outsourcing public sector audits leads to more precise reports and a better cooperation with external auditors to improve audit quality (Johnsen, Meklin, Oulasvirta, & Vakkuri, 2004).

Nonetheless, a considerable amount of literature concurs on criticizing independent external auditors' performance when auditing public institutions and government programs. For instance, Chong et al. (2009) provide evidence that outsourcing public sector audits does not necessarily mean lower cost audits when compared to audits performed by the Supreme Audit Institution (Chong, Dolley, Houghton, & Monroe, 2009). Gendron et al. (2001) suggest that governmental auditors are more independent and more critical towards public authorities compared to independent external auditors (Gendron, Cooper, & Townley, 2001, p. 279).

The existing body of empirical research shows significant differences in audit quality between audits conducted by independent external auditors and those conducted by governmental auditors who are more likely to discover and report audit findings and have more incentives and a better independence to achieve their mission. An example of that is the study of Brown and Raghunandan (1995) who argues that private audit firms present substandard audit services quality when auditing public institutions (Brown & Raghunandan, 1995) and Jakubowski (2008) who conclude that governmental auditors are more likely to have the specialized necessary knowledge to conduct public sector audits (Jakubowski, 2008).

Likewise, Carslaw et al. (2012) propose that governmental auditors are more likely to detect and report breaches when auditing governmental units (Carslaw, Pippin, & Mason, 2012). Lowensohn and Collins (2001) focus on differences in the audit approach between the two types of auditors and suggest that independent external auditors focus on technical procedures of audits instead of the effect of discovered errors and breaches on auditees' activities (Lowensohn & Collins, 2001).

Furthermore, Hatherly et al. (1996) argue that independent external auditors compete for their image in the market and reducing costs instead of audit quality (Hatherly, Brown, Lapsley, & Mitchell, 1996). Correspondingly, Greenwood (2017) suggest that governmental auditors are more motivated generally with public service morals whereas independent external auditors are characterized by private sector mentality where the first aim is increasing owners' equity and there are limits on transparency in the name of trade secret (Greenwood, 2017, p. 166).

Our paper is an extension to studies that were interested in exploring audit quality when alternative suppliers are involved and it contributes to research on public sector audits in Africa. We also aim to prolong research that examined audit quality using reported audit results.

The focus of this study is the differences in audit findings between governmental and independent external auditors. Supreme Audit Institutions have been for a very long time the traditional provider of audit services in the public sector; as a result, it has developed a deep understanding of this market and a consistent specific knowledge of the client and more understanding of the organizational and institutional sphere of these institutions (Chong, Dolley, Houghton, & Monroe, 2009, p. 680). In contrast, external independent auditors usually have short term contractual arrangements with public institutions which affect their efficiency. Based on that, we propose the following hypothesis in its alternative form:

H1: When auditing public entities, governmental auditors are more likely to detect and report audit findings than independent external auditors.

Meanwhile, the definition Carslaw et al. (2012) provide to audit efficiency proposed that a part of it is related to detecting and reporting breaches in the adequate time. The financial information, no matter how precise, is not relevant if it was not available in the right time (Carslaw, Pippin, & Mason, 2012). It has been found previously by Carslaw et al. (2012) and Rubin (1992) that governmental auditors are slower in issuing audit reports (Rubin, 1992). This leads us to our second hypotheses in its alternative forms:

H2: Independent external auditors issue public entities' audit reports earlier than governmental auditors.

Moreover, due to the expected role of independent external auditors in countries witnessing public sector accounting reforms as a companion to change (Christensen, 2005) it is not unlikely that their mission deviates from identifying and reporting audit findings and expressing an opinion on financial statements. This could make it harder for them to express modified opinions (qualified, adverse or disclaimer). French Supreme Audit Institution (Cour des Comptes) state that independent external auditors could decide to report, in the form of simple observations, certain accounting instances that could lead to a modified opinion in another context (Cours des Comptes, 2018, p. 14). Following this argument, we propose our third hypothesis in its alternative form as follow:

H3: Governmental auditors are more likely to express a modified opinion than independent external auditors when auditing public entities.

3- Methods

In this study, we assess the differences in efficiency between governmental auditors and independent external auditors based on reported audit findings. We build on DeAngelo's (1981) definition of audit quality that link it to auditor's ability to detect and report breaches in the accounting system (DeAngelo, 1981, p. 115). Accordingly, detecting findings and reporting them can be mostly expressed through auditor's report. This proxy has been used before in some public sector audit studies to assess the effect of auditor's type on audit quality. Thus, Jakubowski (2008) argue that while the absence of reported findings should provide reasonable assurance that financial statements are free from material, the consistent low rate of reporting audit findings could also indicate auditor's failure to detect or report breaches (Jakubowski, 2008).

3-1. Sample

South African public sector consists of four spheres of government: national government departments; provincial government departments; municipalities; and constitutional bodies/public entities. The accounting frameworks recognized for these institutions are: International Financial Reporting Standards (IFRS); Standards of Generally Recognized Accounting Practices (GRAPs); and Modified Cash Standard (MCS).

Our database includes 506 audit reports of 101 public entities listed in the PFMA including 21 universities and colleges and 80 national and provincial agencies from diverse portfolios. Those entities cover a diverse range of activities and their audit reports are dealt with in Parliament. They mostly use GRAPs as their accounting framework which are based on the accrual basis of accounting. These entities are audited by AGSA or an independent external auditor. The independent external auditor has overall responsibility for these audits and signs the auditor's report. Our study does not cover South African departments listed in the PFMA that follows a modified cash basis of accounting; they are mostly audited by AGSA.

Our sample of 506 observations corresponds to the reporting years 2012-2019 collected all from online sources. We randomly selected entities from audit outcomes reports published on AGSA's official website (https://www.agsa.co.za). The audits conducted by AGSA are 288 while the ones conducted by independent external auditors are 218. Audit reports were collected from the annual reports of each entity published on its official website. The details of the sample are shown in table 1.

Table -1-: **Construction of the sample**

Number of auditees	101
Reporting years analysed (2012-2019)	7
Total of audit reports issued by AGSA	288 (57 %)
Total of audit reports issued by an independent external auditor	218 (43 %)
Number of total observations	506 (100%)

Source: own calculations based on collected data

3.2 Definitions of variables

In accordance with the Public Audit Act of South Africa of 2004 (Act No. 25 of 2004), the scope of the annual audit performed for each auditee includes the following: providing assurance that the financial statements are free from misstatements that will affect users; reporting on the usefulness and reliability of the information in the annual performance report; reporting on material non-compliance with key legislation; and identifying the key internal control deficiencies that should be addressed to achieve a clean audit. These areas are used as variables in our study in addition to audit opinion, total audit findings, auditor's type and audit delay. We define these variables as follow:

- Auditor's type: is an independent nominal variable that indicates if the auditor issuing the report is AGSA (taking the value of 1) or an independent external auditor (taking the value of 2).

- Total of audit findings: is a dependent interval variable presenting the total number of audit findings in different areas required by regulations;

- Financial audit findings: is a dependent interval variable that covers findings on three points related to the public sector administration: (i) whether auditees' financial transactions, records and evidence have been presented with adequate transparency in accordance with audit standards; (ii) Ensuring and assuring that financial transactions have complied with laws and regulations; (iii) provision of the auditor's opinion to the public on the transparency and accountability of the entity, and prevents or reduces corruption, fraud and other misuses of public funds;

- Findings on usefulness of reported performance information: is a dependent interval variable that presents the number of findings related to the annual performance information reported by the public entity. The auditor gives an opinion about the information's consistency; measurability; relevance; presentation and disclosure; and reliability;

- Findings on compliance with legislation: is a dependent interval variable that reflects findings about the entity's compliance with any applicable legislation relating to financial matters, financial management and other related matters. These findings cover compliance with legislations concerning: annual financial statements; performance reports and annual reports; expenditure management; revenue management; asset management; liability management; strategic planning and performance management; procurement and contract management; and consequence management;

- Internal control deficiencies: is a dependent interval variable related to the amount of reported findings about the root cause of internal control deficiencies that resulted in the material audit findings from the audit of the financial statements, predetermined objectives and compliance with legislation. The findings cover leadership; financial and performance management; and governance;

- Audit delay: this dependent interval variable describes the number of days between the end of the financial year and the date of issuance of the audit report that exceed 150 days. In terms of the requirement of section 28(3) (c) of the PAA the audit firm must submit the audit report no later than five months (around 150 days) after the financial year-end. Based on that, we consider in our study that any report issued after a period of 150 days is a late report. A negative value means that the report was issued before 150 days from the financial year end and a positive one means that the report was issued after more than 150 days;

- Audit opinion: is a dependent ordinal variable refers to auditor's opinion expressed in the report. An auditor can give one of the following audit opinions (AGSA, 2019):

- Unqualified with no findings (clean audit outcome): when the financial statements are free from material misstatements and there are no material findings on reporting on performance objectives or non-compliance with legislation.

- Unqualified with findings (financially unqualified audit opinion): indicating that the financial statements contain no material misstatements. Findings have been raised on either reporting on predetermined objectives or non-compliance with legislation or both these aspects.

- Qualified audit opinion: the financial statements contain material misstatements in specific amounts or there is insufficient evidence for the auditor to conclude that specific amounts included in the financial statements are not materially misstated.

- Adverse audit opinion: when the financial statements contain material misstatements that are not confined to specific amounts or the misstatements represent a substantial portion of the financial statements.

- Disclaimer of audit opinion: this type of opinion is expressed when the auditee provides insufficient evidence in the form of documentation on which to base an audit opinion. The lack of sufficient evidence is not confined to specific amounts or represents a substantial portion of the information contained in the financial statements.

4- Results

A peek at descriptive statistics of our sample presented in tables 2 and 3 shows that governmental auditors (*N*=288) were associated with a total audit findings *M* = 5,49 (*SD*= 7,759). By comparison, independent external auditors (*N*= 218) were associated with a numerically smaller total audit findings *M*= 2,61 (*SD* = 5,126).

Going into details, governmental auditors were associated with financial audit findings *M*=,61 (*SD*=1,585); findings on usefulness of reported performance information *M* =1,09 (*SD*=2,662); findings on compliance with legislation *M*=2,11 (*SD*=3,010); and internal control deficiencies *M*=1.71 (*SD*=2,086). By comparison, independent external auditors presented numerically smaller rate in all types of findings; financial audit findings *M*=,39 (*SD*=1,378); findings on usefulness of reported performance information *M*=,43 (*SD*=1,556); findings on compliance with legislation *M*=1,09 (*SD*=2,481); and internal control deficiencies *M* = ,73 (*SD*= 1,376).

Descriptive statistics for audit delay show that governmental auditors were associated with an audit delay *M* = -20,48 (*SD*= 33,302). In contrast, independent external auditors were associated with a longer audit delay *M*=-12,07 (*SD* = 36,556).

Table -2-: Descriptive statistics: audits conducted by AGSA

AGSA	Total of audit findings	Financial audit findings	Findings on usefulness of reported performance information	Findings on compliance with legislation	Internal control deficiencies	Audit Delay
N	288	288	288	288	288	288
Mean	5,49	,61	1,09	2,11	1,71	-20.48
Median	3,00	,00	,00	1,00	1,00	-28,00
Standard deviation	7,759	1,585	2,662	3,010	2,086	33,302
Maximum	40	12	19	16	14	285
Minimum	0	0	0	0	0	-72
Skewness	2,136	4,521	3,417	1,828	1,765	5,487
Kurtosis	5,239	24,672	13,213	3,558	4,864	38,669

Source: SPSS Statistics outputs.

Table -3-: **Descriptive statistics: audits conducted by independent external auditors**

Independent External Auditors	Total of audit findings	Financial audit findings	Findings on usefulness of reported performance information	Findings on compliance with legislation	Internal control deficiencies	Audit Delay
N	218	218	218	218	218	218
Mean	2,61	,39	,43	1,09	,73	-12,07
Median	,00	,00	,00	,00	,00	-28,00
Standard deviation	5,126	1,378	1,556	2,481	1,376	36,566
Maximum	34	12	12	21	8	161
Minimum	0	0	0	0	0	-99
Skewness	2,945	5,920	4,543	4,064	2,237	,475
Kurtosis	11,054	41,238	23,083	22,920	5,850	2,173

Source: SPSS Statistics outputs**.**

To test the hypothesis that governmental auditors and independent external auditors were associated with statistically significant different mean of total audit findings (corresponding to our *H1*), an independent sample *t*-test was performed. As can be seen in table 4, the test was linked with a statistically significant effect *t*(498,111)= 5,105, *p*<,001. Thus, governmental auditors have a statistically significant larger mean for total audit findings than independent external auditors. Cohen's *d* was estimated at 0,044 which is a medium effect based of Cohen's (1992) guidelines.

Furthermore, an independent sample *t*-test was performed to assess if governmental auditors and independent external auditors were associated with statistically significant different means for different types of audit findings. The results show a statistically significant effect for Findings on usefulness of reported performance information *t*(476,255)= 3,488, *p*= .001; Findings on compliance with legislation *t*(498,688)= 4,209, *p*<,001; and Internal control deficiencies *t*(495,267)=6,340, *p*<,001. Thus, governmental auditors were associated with a statistically significant larger mean for these types of audit findings than independent external auditors. Cohen's *d* was estimated respectively at 0,03; 0,04 and 0,055 which is respectively a small effect for the first two and a medium effect for the last based of Cohen's (1992) guidelines.

Nevertheless, the independent sample *t*-test for financial audit findings showed no statistically significant effect between governmental auditors and independent external auditors for; *t*(494,377) = 1,649, *p*= ,100.

To test the hypothesis that governmental auditors and independent external auditors were associated with statistically significant different mean for audit delay (corresponding to our *H2*), an independent sample *t*-test was performed. The test showed a statistically significant effect *t*(442,993)=-2,587, *p*=.01. Thus, governmental auditors were associated with a statistically significant smaller mean for audit delay than independent external auditors. Cohen's *d* was estimated at ,02 which is a small effect based of Cohen's (1992) guidelines.

Table -4-: **Test of difference of two means (independent samples) results**

	t	df	Sig. (2-	Mean	Std. Error

			tailed)	Difference	Difference
Total of audit Findings	5,105	498,111	,000	2,888	,566
Financial audit findings	1,649	494,377	,100	,218	,132
Findings on usefulness of reported performance information	3,488	476,255	,001	,659	,189
Findings on compliance with legislation	4,209	498,688	,000	1,019	,242
Internal control deficiencies	6,340	495,267	,000	,978	,154
Audit Delay	-2,587	442,993	,010	-8,174	3,160

Source: SPSS Statistics outputs.

To test the hypothesis that there's a statistically significant difference in audit opinions related to auditor's type (corresponding to our *H3*), a Chi-Square test was conducted. The cross tabulation results presented in table 5 show a more expected unqualified with no findings audit opinions for governmental auditors if there was no relationship between the two variables and less modified audit opinions. By comparison, there was a more expected count for modified audit opinions and less expected count for unqualified with no findings opinions for independent external auditors. The Chi-Square results showed in table 6 indicate that there is a significant relationship between auditor's type and audit opinion; X^2 (4, N = 506)= 20,311, p <,001. Governmental auditors were associated with issuing more modified audit opinions than independent external auditors.

Table -5-: **Auditor's type and audit opinion cross tabulation**

			Audit_opinion					Total
			Unqualified with no findings	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	
Auditor's Type	AG SA	Count	114	145	25	2	2	288
		Expected Count	136,6	130,3	18,8	1,1	1,1	288
	Independent External Auditors	Count	126	84	8	0	0	218
		Expected Count	103,4	98,7	14,2	,9	,9	218
Total		Count	240	229	33	2	2	506
		Expected Count	240,0	229,0	33,0	2,0	2,0	506

Source: SPSS Statistics outputs.

Table -6-: **Chi-Square Tests results for Auditor's type and Audit opinion**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20,311[a]	4	,000
Likelihood Ratio	22,070	4	,000
Linear-by-Linear Association	20,091	1	,000
N of Valid Cases	506		
a. 4 cells (40,0%) have expected count less than 5. The minimum expected count is, 86.			

Source: SPSS Statistics outputs.

5- Discussion and conclusion

This study provides evidence that governmental auditors in South Africa do report, when auditing public entities, more audit findings compared to independent external auditors which makes them more efficient and more likely to perform better quality audits. Our results are consistent with Jakubowski (2008), Branson et al. (2011), Carslaw et al.(2012) and Cagle and Pridgen (2015) who previously recognized significantly different reporting attitudes between the two groups of auditors. It has been suggested that public sector audits' complexity and requirements make it harder for independent external auditors to perform in the same level as Supreme Audit Institutions, who have long years of experience in this area (Brown & Raghunandan, 1995).

However, in our sample, there was no significant differences between AGSA and independent external auditors in reporting financial audit findings; this could be because public entities in the sample apply close accounting frameworks to private companies which creates a familiar audit sphere for independent external auditors allowing them to provide services of the same quality as governmental auditors regarding financial audits.

Concerning audit delay, we found a significant difference in reporting time span among AGSA and independent external auditors; however both types of auditors respected time-lag requirements when auditing public entities. Contracted audit firms succeeded in respecting the timeframe needed by AGSA to issue its annual audit outcomes report and to present audit work to Parliament. Similarly, AGSA gives the needed attention to issuing audit reports in proper time, thus this difference does not actually affect audit quality in this context.

Notwithstanding the foregoing, our analysis of total audit opinions of the sample showed substantial differences in expressed opinions among AGSA and independent external auditors. Independent external auditors hesitate to express modified audit opinions while governmental auditors issue different types of opinions which could be a sign of their extensive independence. Governmental auditors do not hesitate to express an adverse or disclaimer audit opinion when necessary; furthermore, they express their audit findings in qualified reports.

In contrast, independent external auditors tend to avoid expressing modified audit opinions and in the extreme cases, provide a qualified opinion. The absence of a significant difference between financial audit findings among the two types of auditors, despite the differences in audit opinions could indicate that independent external auditors are more likely to cite their financial audit findings in emphasis of matter and other matters paragraphs instead of qualifying their opinions. One explanation could be that independent external auditors are expected to play an accompanying role to public entities in periods of public sector accounting change as suggested by Christensen (2005).This secondary role might affect their independence and ties up their ability to express modified audit opinions.

One limitation to our study is that public entities in the sample are different from departments and other public sector audit spheres. Some of these entities have similar management schemes as private companies which could make independent external auditors in a more familiar environment. Thus the results of this study cannot be generalized to all forms of government.

Our results shed light on bold differences between independent external auditors and governmental auditors when auditing public entities; however, we did not investigate the accuracy of various explanations given by prior research to these differences. An avenue for future research could be exploring external independent auditor’s perception of public sector audits and the way they see their role in this sphere. How independent external auditors decide to express their findings in their report in countries witnessing accounting change could also benefit from further research.

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