

DETERMINANTS OF EXTERNAL AUDITORS' INDEPENDENCE: A CASE STUDY ON ETHIOPIAN AUTHORIZED AUDIT FIRMS

Kanbiro Orkaido Deyganto

*Research Scholar, Department of Accounting and Finance, College of Business & Economics, Dilla University, Dilla,
Ethiopia*

ABSTRACT

This study was examined determining factors of auditors' independence with reference to authorized audit firms in Ethiopia. To this end, the researcher employed mixed research approach with explanatory research design where the effect caused by the independent variable on the dependent variable is observed through regression analysis. Primary data was collected through structured question from randomly selected private audit firm. Accordingly, the result of multiple liner regression analysis done through SPSS version 21, variables such as size of audit firm, size of audit fee, professional audit standard, competition, audit committee and information technology have positive and statistically significant effect on external auditors' independence. Whereas, the one explanatory variable which is provision was not statistically significant in this study. Based on the findings of the study, the researcher recommended that for audit firms in Ethiopia and other concerned bodies haveto work on statistically significant variables due to fact that they have positive influence on auditors' independence.

KEYWORDS: *Determinants, Auditors' Independence, Authorized Audit Firms, Ethiopia*

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INTRODUCTION

The reliable financial information by business enterprises is very basic for making economic decisions. This reliability of financial information is assured with independent examination of organizations' report by independent auditors. Consequently, regulators around the world have agreed that public or private firms must disclose independently audited financial statements. Independence is critically important to an auditor as it is regarded as being one of the fundamental principles underlying the auditor's work. So, the issue of factors determining auditor's independence has become debatable issue across the world and need the investigation. So, it has a constructive to study the factors affecting auditors' independence of audit firms in conducting the auditing activity in Ethiopia.

Most empirical evidence in Ethiopia was focused on assessment of internal audit function effectiveness in different private and public organizations. So, the issue of determinants of external auditors' independence of authorized audit firms in Ethiopia was ignored by researcher. Because, prior researches do not touched the factors affecting auditor's independence. Understanding and identifying the factors affecting independence of auditors in private audit firm is the corner stone for improving financial reporting quality of business or government entities in the country. This is why the researcher motivated to study this topic.

Different researchers have been conducted their research on same topic outside Ethiopia. For example, studies from [2-11] and [18] and [27] have studied the related topic using descriptive statistics for analyzing the data collected through self-administered questionnaire and found out that firm size, professional audit standard, size of audit fees, level of completion, the provision of non-audit service are factors affecting auditor's independence in effectively performing audit work. This study is different from the prior study reviewed above by employing inferential statistics to identify factors affecting independence of auditor's with reference to authorized audit firm in Ethiopia which enhances the reliability of the findings more than that of descriptive statistics used in the above studies. Besides, dissimilar to prior studies, this study incorporated two more explanatory variables such as existence of audit committee and information technology facility in the logit model. On other hand there is difference in geographical scope of prior studies as far as this study has planned to be conducted in Ethiopia and audit practice is different from natation to natation. Furthermore, there is the time gap as far as prior studies outside and in Ethiopia covered time period from 2005 till 2017 but covered the time between 2018 up to 2021G.C.

When it comes to Ethiopia, very few researchers has been conducted their study on the similar topic. For instance, [7] studied the topic with sample size of 60 audit firms, study by [3] used sample size out of 71 firms; and Study according to [36] used 88 private audit firms as sample size. The prior studies in Ethiopia employed the time using non-probability sampling technique to select authorized audit firms as sample. The non-probability sampling technique has limitations on the way of generalizing sample finding from sample to the total population. But the researcher employed the probability sampling technique in this study in order to give equal chance for all audit firms in Ethiopia. Also, the researcher have planned to identify the influence of information technology facilities on independence of auditor's in Ethiopia. This study is different by improving sample size to 93 and applying probability sampling technique in order to give equal chance for all audit firms in Ethiopia and to save the resources. Therefore, the objective of this study is to identify the factors affecting auditor's independence with reference to private audit firms operating in Ethiopia by filling the above methodological, variable incorporation, and time research gaps identified through review of studies in Ethiopia and outside Ethiopia.

This paper was organized in to six sections. The first part is introduction. The second section reviews different literature that relates to the topics of the study. In the third section the research methodology was addressed. Section 4 covered the results and discussions and finally, section 5 concluded the paper and last section 6 provides direction for the future research.

LITERATURE REVIEW

Concept of Auditors' Independence

Auditor's independence refers to the independence of the auditors from parties that may have a financial interest in the organization being audited (conduct audit work without interference). The concept of auditor's independence implies that the auditor should carry out his or her work freely and in an objective manner. According to studies [22-25] auditor's independence enables to produces the quality financial information that helps in making good economic decisions. Generally accepted auditing standards (GAAS) are a set of systematic guidelines used by auditors when conducting audits on companies' financial records, ensuring the accuracy, consistency, and verifiability of auditors' actions and reports. The general standard part #2 suggests that "the auditor must maintain independence in mental attitude in all matters relating to the audit." Auditor independence refers to the independence of the internal auditor or of the external auditor from parties that may have a financial interest in the business being audited. Independence requires integrity and an objective approach

to the audit process. The concept requires the auditor to carry out his or her work freely and in an objective manner. Independence is the basis of the auditing process because it assists the auditor to express the opinion of the auditor about the financial data in his/her report, without any effects on his/her judgment, his/her duty with honesty, faithfulness and secretariat. Based on the above description, the above factors may pose threats to the audit profession if external auditors deal with it. Organizational independence of private audit firm allows the audit activity to conduct work and be perceived to conduct work without interference [13].

Author [14] studied auditor independence precludes relationships that may appear to impair a member's objectivity in rendering attestation services. For professional accountants in public practice, the maintenance of objectivity and independence requires a continuing assessment of client relationships and public responsibility. Such a professional accountant who provides auditing and other attestation services should be independent in fact and appearance. In providing all other services, a professional accountant should maintain objectivity and avoid conflicts of interest. In other way, objectivity of audit staff or audit firm must have impartial attitudes and avoid any conflict of interest. Objectivity is a key factor for audit activity to add value. A professional accountant should be fair and should not allow prejudice or bias, conflict of interest or influence of others to override objectivity. A professional accountant should maintain objectivity and be free of conflicts of interest in discharging professional responsibilities. Objectivity is a state of mind, a quality that lends value to a professional accountant's services. It is a distinguishing feature of the profession. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest [31]. Based on types of auditors exist in auditing environment, it can be classified as internal auditor and external auditor independency. These are:

- **Independence of the Internal Auditor** means independence from parties whose interests might be harmed by the results of an audit. Specific internal management issues are inadequate risk management, inadequate internal controls, and poor governance. The Charter of Audit and the reporting to an Audit Committee generally provides independence from management, the code of ethics of the company (and of the Internal Audit profession) helps give guidance on independence from suppliers, clients, third parties, etc.
- **Independence of the External Auditor** means independence from parties that have an interest in the results published in financial statements of an entity. The support from and relation to the Audit Committee of the client company, the contract and the contractual reference to public accounting standards/codes generally provides independence from management, the code of ethics of the Public Accountant profession) helps give guidance on independence from suppliers, clients, third parties ([12]. This study was focused on determinants of external auditors' independence.

Empirical Literature Review

In this study variables has incorporated as independent variable audit firm size, size of audit fee professional audit standard, competition level, provision of non-audit service, audit committee, information technology facility and auditor's independence which is dependent variable. These have been explained in the following table:

Table 1: Summary of Empirical Literature Review

Serial Number	Variable Name	Empirical Study’s Findings on Each Variable	Hypotheses Based on Empirical Evidence
1.	Audit Firm Size	Studies like [5, 6, 8, 9, 25, 26, 27] found out that size of audit firm has positive influence on external auditors’ independence.	H1: Size of audit firm has positive influence on external auditors independence
2.	Size of Audit Fee	Emperical studies include [2,3,6 9, 12, 13, 17, & 27] evidenced that size audit fee has positive effect on auditors independence	H2: Increase in size audit fee has positive effect on auditors independence
3.	Professional Audit Standards	Prior empirical evidence of [18, 19, 20, 22, 23,25 & 28] pointed out that existence of Existence of professional audit standard has positive effect on auditors independence	H3: Existence of professional audit standard has positive effect on auditors independence
4.	Level of Competition of audit market	Findings of [3, 5, 6, 11, 12,17,18, 21, 22,34& 36] Increase level of competition in audit market has positive influence on auditors’ independence	H4: Increase level of competition in audit market has positive influence on independence of auditors.
5.	Provision of Non-Audit Service	Studies by [3, 5, 6, 11, 12, 15,16,17,18, 21, 22, 26, 34& 36] provision of no audit service has negative effect on	H5: Provision of no audit service has negative effect on external auditor’s independence
6.	Audit Committee	Empirical findings of [5, 8, 11, 31, 32, 33, &34] found out that the existance of audit committe has positive effect on independence of auditors.	H6: The existance of audit committe has positive effect on independence of auditors.
7.	Information technology	Reserch findings of [10,18, 24, 25,& 28] supported that Information tecnology has positive effect on auditor’s independence	H7: Information tecnology has positive effect on auditor’s independence

Source: Own built based on empirical review, 2021

Conceptual Framework of the Study

This section provides a conceptual frame work for this study based on literature review. It explains the relationships among dependent and independent variables. In this model variables such as audit firm size (AFS), Audit fee (AF), Professional audit standard (PAS), Competition level (CL), provision of non-audit service (NAS), Audit committee (AC), Information technology facility (ITF) and independency of auditor’s (IA) which is dependent variable.

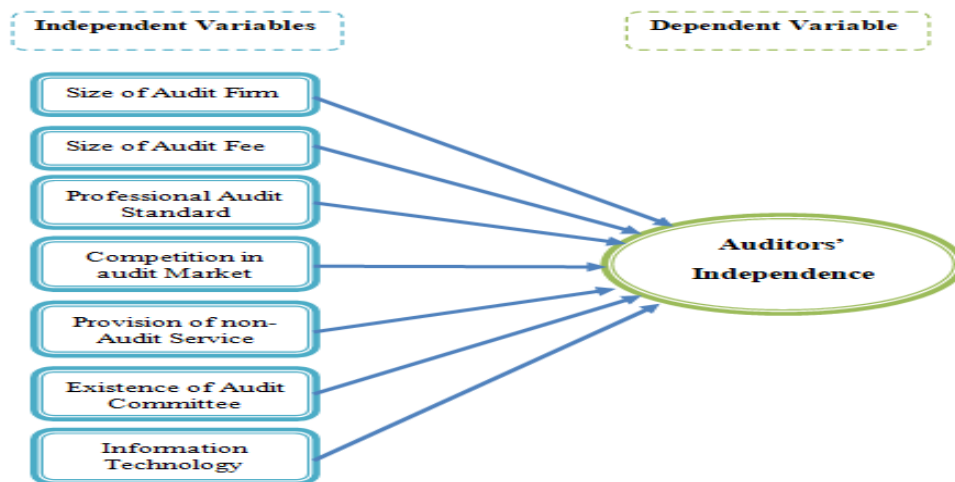


Figure 1: Conceptual Framework

Source: Researcher’s own model, 2021

Research Gaps

As per literature review of both studies outside and inside Ethiopia, most the above reviewed studies has focused on particular firms or regions of the nation but the current study focused on the factors affecting external auditor's independence in Ethiopia and also selected respondents using probability in opposing to the sample size selection which non- probability for most studies reviewed above. Besides, studies outside Ethiopia has no empirical models in explaining the relationship between explanatory variables and dependent variables incorporated in their study. As a result, conducting this research would add value for the government of Ethiopia, business firms, and audit firms in Ethiopian by identifying the factors determining external auditors' independence with reference to audit firms in Ethiopia by filling the above mentioned gaps that enables concerned bodies to improve quality of financial information.

METHODOLOGY

Research Approach and Design

In this study, the quantitative research approach was employed due to numeric values from five point Likert scale. The research design employed explanatory research design which enables to explain the relationship between seven independent variables such as audit firm size, audit fee size, audit standards, competition, provision of non-audit service, information technology and one dependent variable external auditors' independence.

Data Type and Tools of Data Collection

Data types the researcher used were both primary and secondary sources. Primary data were collected directly from the CEO of private audit firms in Ethiopia by sending questionnaires through email address. Whereas, secondary data were gathered from reports, bulletins, journals, text books and documents of the study organization. To collect primary data structured questionnaires was used.

Target Population, Sampling Technique and Size Determination

Target Population: According to [1] there are 157 private audit firms in Ethiopia. Hence, the target population of this study is one hundred twenty one (157) Authorized Auditors in Ethiopia.

Sampling Technique: Sample is the section of the total population. For successfully, conducting this study, the researcher used simple random sampling to select 122 private audit firms from 157 total authorized firms. The researcher employed simple random sampling technique in order to give equal chance for all audit firms and to save the resources.

Size Determination: In order to scientifically determining the sample, the sample size formula of [35] was used by the researcher. This sample size considers that sample selected from the population represents 95 % of the population. Hence, sample size is determined by using formula indicated below:

$$n = \frac{N}{1+(e)^2*N}$$

Where: n = sample size

N = population size

e = Precision level or sampling error =0.05

$$n = \frac{157}{1+(0.05)^2*157} = 122$$

Hence, the representative sample size for this study is 122 private audit firm chive Executives officers. Methods of Data Collections

Operational Definition of Variables

Table 1: Summary of Variables Definition and Scale of Measurement

Variables Incorporated	Symbol	Unit of Measurement
Auditor’s Independence: Freedom of auditor to carry out his or her work freely and in an objective manner.	IA	5 point Likert scale
Size of Audit Firm: revenue earning capacity or wealth capacity due long term experience in audit work.	AFZ	5 point Likert scale
Size Audit Fee: audit Fees are costs incurred by companies to pay public accounting firms to audit the company's financial statements	SAF	5 point Likert scale
Professional Audit Standard: are a set of systematic guidelines used by auditors when conducting audits on companies' financial records	PAS	5 point Likert scale
Competition Level: competition in audit market	CL	5 point Likert scale
Provision of Non-Audit Service: Non-audit services are any services other than statutory audit services and typically comprise:	NAS	5 point Likert scale
Audit Committee: number of members of a company’s board of directors whose responsibilities include helping the auditors remain independent of management	AC	5 point Likert scale
Information Technology: Information technology facilities that are base for conducting audit activities	IT	5 point Likert scale

Source: Own build (2019)

Econometrics Model Specification

When it comes to model specification, auditors’ independence in conducting audit work without interference of others is a dependent variable of this study, while seven variables such as audit firm size (SAF), size of Audit fee (AFS), Professional audit standards (PAS), competition in audit service market (CL), provision of non-audit service (NAS), audit committee (AC) and Information technology (IT) are independent variables. In this study, the dependent variable is measured through five point Likert scale and considered as continuous variable. For the continuous variables multiple linear regressions is best model. The equation is expressed as follow:

$$AI = \beta_0 + \beta_1 * SAF + \beta_2 * AFS + \beta_3 * PAS + \beta_4 * CL + \beta_5 * NAS + \beta_6 * AC + \beta_7 * IT + \mu \tag{1}$$

AI= Auditors’ independence

β_0 = Constant Term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6,$ and β_7 refers to coefficients of independent variables

SAF= Audit Firm Size

SAF= Audit Firm Size Audit Fee

PAS= Professional audit Standard

CL= Competition level of audit service

NAS= Non-audit service

AC= Audit committee

IT= Information Technology

U= Random Disturbance or Error.

Assumptions of Classical Linear Regression Model

The diagnostic tests such as normality, Multicollinearity, autocorrelation, and heteroscedasticity tests were undertaken before processing regression analysis.

Methods of Data Analysis

After accomplishment of data collection procedure, it should have classified as per each variable, the qualitative data has been coded to be measured quantitatively. In this research, data has been analyzed by using descriptive statistics such as maximum and minimum values, average, correlation, frequency, percentage, variance and standard deviation and inferential statistics (binary logistic regression model) through SPSS version 21.0 in order to get the reliable finding.

Reliability of the Test

The test of reliability is another important test of sound measurement of questionnaire. In current research, the researcher employed Cronbach's Alpha (α) which is the most common measure of scale reliability and a value greater than 0.700 is very acceptable Cronbach's alpha. To measure the consistency of the questionnaire particularly the Likert-type scale the reliability analysis is essential in reflecting the overall reliability of constructs that it is measuring. In current research, the researcher employed Cronbach's Alpha (α) which is the most common measure of scale reliability and a value greater than 0.7 is very acceptable. This has tested as follow:

Table 3 shows This indicates that all the variables under consideration accounts the scientifically accepted threshold, therefore the study are reliable under this circumstance. Compared with the minimum value of alpha 0.70 advocated by Cronbach, then the responses generated for all of the variables 'used in this research were reliable enough for data analysis. This implies that the data incorporated in SPSS is reliable.

Table 3: Reliability Test of the Variables

Cronbach's Alpha	N of Items
0.889	34

Source: Personal survey, 2021

Ethical Considerations

The following ethical considerations have been given attention by the researchers and enumerators while conducting the research that includes voluntary participation, no harm to participants, anonymity and confidentiality, not deceiving the subjects and privacy of participants. With regarding to the voluntary participation of respondents, no participants were forced to take part in the research and participants were free to withdraw from the research at any moment. With regarding to harm to the participants, the researcher ensured that there is no any physical or psychological harm have done to the participants as a result of the study. When it comes to anonymity and confidentiality, all information gathered during the study was handled confidentially and permission from the participants was obtained for all information to be shared publicly. Not deceiving the subjects since participants was informed clearly about the aim, purpose and procedures of the study and was deceived in any way. Finally, Privacy of participants was be respected.

RESULTS AND DISCUSSIONS

This section is deals with analysis and discussion of data collected from 80 respondents out of 122 sample respondents from selected audit firms in Ethiopia. The response rate was 65 % which implies more than 50 % respondents have been participated in the process of data collection. Then, the analysis of the data was based on the questionnaires collected using SPSS version 21.0. The first section of the analysis concerns about personal information of respondents, followed by reliability test of the variables incorporated in the model, descriptive statistics, linear regression model assumptions, and regression analysis. This has done as follow:

Demographic Profile of the Respondents

In the following Table, the demographic information of respondents is presented. These include the gender, age, educational status, and experience of respondents. These have showed as follow:

As it can be easily observed Table 3 there were 80 respondents, of these, 52 (65 %) were male and 28 (35 %) were female. This implies the ratio of male internal auditors respondents to female is relatively high in the in audit firms. With regarding to age of the respondents, 19 (23.8 %) lies in age category below 25 years 32 (40.0 %) respondents found in age group of between 25 to 34, followed by 21 (26.3 %) are ranges (35-46), 8 (10.0 %) percent were above 46 years. This implies that most auditors in audit firms are fall in productive group, which is relatively higher than other age category. As it can be easily seen from (table 3), majority of respondents are fall in age group of between 31 to 40 and there are very few internal auditors with age group of more than 46 and above. As displayed in the Table 4, about 64 (80 %), 14(17.5 %), 2(2.5 %) are accounting, management and economics respectively. This implies that most of the audit firm owners are accounting field graduates due to fact that auditing field is accountancy field. The above Table 3 the level of educational background of respondents, 8(10 %) were diploma holders, most respondents, 47 (58.8 %) have bachelor's degree holders, 21 (26.3 %) master's degree and 4 (5 %) Ph. D holders respectively. Finally, the above table 3 displayed background information about the respondents is years of working in south region sector bureaus. As shown in the above table, the 9 (11.3 %), 21(26.3 %), and 50 (62.5 %) of the respondents have working experience of below 5 years, 6-10 years, and above 10 years of experience respectively. This implies that, respondents are well experienced to easily conduct audit activity in one hand and that has positive influence on independence of external audit on other hand.

Table 4: General Background of the Respondents

1. Gender		Frequency	Percentage
	Female	28	35.0
	Male	52	65.0
	Total	80	100.0
2 Age		Frequency	Percentage
	Below 25 years	19	23.8
	25-34 years	32	40.0
	35-46 years	21	26.3
	Above 46 years old	8	10.0
	Total	80	100.0
3 Field of the study		Frequency	Percentage
	Accounting	64	80.0
	Management	14	17.5
	Economics	2	2.5
	Total	80	100.0
4 Education level		Frequency	Percentage
	Diploma	8	10.0

Table 4: Contd.,

	First degree	47	58.8
	Master's Degree	21	26.3
	Above	4	5.0
	Total	80	100.0
5	Experience	Frequency	Percentage
	Less than 5 years	9	11.3
	6 to 10 years	21	26.3
	Above 10 years	50	62.5
	Total	80	100.0

Source: Personal survey, 2021

Descriptive Statistics

Independence of Auditors was the dependent variable of this study. The maximum and minimum value of all variables measured through five point Likert scales 5 and 1 respectively. As indicated in the Table 5, the audit firms in Ethiopia achieved on average positive auditor independence because the overall mean was 2.8875. The standard deviation value is 1.19061 which indicates there was variation of actual responses from the mean. This implies that audit firms need to improve the independence of auditors to high level in order to protect public interest. With regard to the sizes of audit firm, the overall mean was 2.8375 and SD of 1.31634. The mean of the size of audit fee was 3.1625 with standard deviation of 1.32592, the average value for professional audit standards as measured by five point Likert was 3.1500 with standard deviation is 1.04458, the mean of the examination process was 2.7125 with SD of 1.14950, the performance of non- audit service has mean of was 2.9969 and standard deviation 0.76897, the average value of the audit committee was 3.2365 followed by standard deviation value of 0.98112 and, information technology with mean value 3.0000 with standard deviation of score from mean value is 0.94132. In summary, all variables incorporated in the model have low and moderate contribution to the response variable auditors' independence.

Table 2: Summary of Descriptive Statistics for all Variables Incorporated in the Model

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Independence of Auditors	80	1.00	5.00	2.8875	1.19061
The sizes of audit Firm	80	1.00	5.00	2.8375	1.31634
Size of Audit fee	80	1.00	5.00	3.1625	1.32592
Professional Audit standard	80	1.00	5.00	3.1500	1.04458
Level of competition in audit market	80	1.00	5.00	2.7125	1.14950
Performance of non-audit service	80	1.00	5.00	2.9969	.76897
Audit committee	80	1.00	5.00	3.2365	.98112
Information technology	80	1.00	5.00	3.0000	.94132

Sources: Personal survey, 2021

Pearson Correlation Matrix

Correlation analysis measures the relationship between two items. The correlation matrix for this study was computed as follow.

The Table 6 shows the relationship between dependent variable which is auditors' independence (AI) and independent variables with coefficient of correlation 1 indicates that each variable is perfectly correlated with each other. The result shows that, size of audit firm (SAF), competition (LC), audit committee (AC), were positively correlated and at 1 % significance level (as P<0.01) with independence of auditors (AI). Whereas, variables such as professional audit standard (PAS), size of audit fee and information technology (IT) were positively correlated with auditors' independence and statistically significant at 5 % level

of significance for the reason their $P < 0.05$. The performance of non-audit service has positive relationship with auditors but statistically insignificant respectively since p-value is more than 1 % and 5 % levels of significance. The result shows the acceptable reliability of the research variables in which, the correlation among predictors were not high and more than 0.80 indicates there are no multi co linearity problems among variables which are best for analysis of the data for this study.

Table 3: Pearson Correlation Matrix for Variables

Variable	AI	SAF	SAF	PAS	LC	PNA	AC	IT
AI	1							
SAF	.352**	1						
SAF	.132*	-.456**	1					
PAS	.268*	.147	.019	1				
LC	.309**	-.073	.272	-.132	1			
PNA	.121	.036	-.182	-.129	.051	1		
AC	.336**	.059	.050	.049	.144	.266**	1	
IT	.237*	.286	-.020	.154	-.304	-.143	.075	1

Sources: Personal survey, 2021

**Correlation is significant at 1 % significance level, * Correlation is significant at 5 % significance level (two tailed).

The Regression Results (Inferential Statistics)

The classical linear regression model assumptions such as such as normality, heteroscedasticity, multicollinearity and autocorrelation have been conducted before regression analysis. Therefore, it can be concluded that there is no normality, heteroscedasticity, multicollinearity and autocorrelation problems that cause regression results of the model to be biased. Then, the regression analysis has been carried out that displayed in the following table.

Table 7: Regression Results Through SPSS

R = 0. 674a, R2 = 0.455, Adj. R2= 0.402, Std. Error of the Estimate = 0.92091, Durbin-Watson (d) = 1.887, F-statistic = 8.578, P-value = 0.000, ANOVA with (p-value of 0.000)										
Model	Unstandardize d Coefficients		Standardized Coefficients	t	Sig.	95.0 % Confidence Interval for B		Collinearity Statistics		
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF	
1	(Constant)	-2.676	.836		-3.200	.002	-4.344	-1.009		
	SAF	.334	.096	.369	3.492	.001**	.143	.525	.676	1.479
	SAF	.203	.096	.226	2.112	.038*	.011	.394	.664	1.506
	PAS	.263	.103	.231	2.550	.013*	.057	.468	.927	1.079
	LC	.346	.102	.334	3.380	.001**	.142	.549	.777	1.286
	PNA	.224	.151	.140	1.481	.143	-.078	.525	.849	1.177
	AC	.231	.113	.191	2.049	.044*	.006	.456	.874	1.144
	IT	.263	.126	.208	2.092	.040*	.012	.513	.769	1.301

Dependent Variable: Auditors' Independence (AI), N= 80

**is Significant at 1 % significance level, * is significant at 5 % significance level

Sources: Personal survey, 2021

Fitted Model

$$\text{Auditors Independence} = -2.676 + 0.334 \cdot \text{SAF} + .203 \cdot \text{SAF} + 0.263 \cdot \text{PAS} + 0.346 \cdot \text{CL} + 0.224 \cdot \text{PNA} + .231 \cdot \text{AC} + 0.263 \cdot \text{IT} \tag{2}$$

The OLS result of was presented in the above Table 7. R-squared was measured the goodness of fit of the explanatory variables in explaining the variations in independence of auditors' in Ethiopia. R-squared and the Adjusted-R-squared statistics of the model were 45.5 percent and 40.2 percent respectively. The result indicates that 40.2 percent

variation in the dependent variable was explained by the explanatory variables in the model. That means the explanatory variables (such as size of audit firm (SAF), size of audit fee (SAF), professional audit standard (PNA), completion level (CI), profession of non-audit service (PNA), audit committee (AC), and Information technology (IT) are jointly explain about 40.2 percent of the variation in the auditor's independence. The remaining 49.8 percent of the variation in the auditor independence (as measured by Likert scale) explained by other variables which are not included in the model. Even if the result is lower than 50 %, it is acceptable for social science. Besides, the, F- statistics (8.578) in model summary and ANOVA with (p-value of 0.000) which is used to test the overall significance of the model was presented and indicates the reliability and validity of the model at 1 percent level of significance. This tells us that the model as a whole is statistically significant for more information. The coefficients of audit firm size 0.334, audit fee 0.203, professional audit standard 0.263, competition 0.346, performance of non-audit service 0.224, audit committee 0.231 and information technology is 0.263 is leads to positive direction dependent variable respectively.

DISCUSSION OF THE RESULTS

- Size of Audit Firm:** result of this study shows that size of audit firm with unstandardized coefficient of regression [$\beta=0.334$] has positive and statistically significant at 1 % level of significance since (p-value of $0.001 < 0.01$). Hence, hypothesis H1 is accepted. This finding is consistent the finding of other studies results of studies like [5, 6, 8, 9, 25, 26, 27], which found out that the size of audit firm has positive influence on independence of audit firm. The regression result of the model regarding size audit firm was also clearly evidenced that there is statistically significant and positive relationship between independence sizes of audit firm as far as the sign of unstandardized coefficient of regression is positive. This implies that increase size of audit firm has positive effect on auditors' independence.
- Size of Audit Fee:** the result of this study with regards to size of audit fee unstandardized coefficient of regression [$\beta= 0. 203$] has positive and statistically significant at 5 % level of significance since (p-value of $0.038 < 0.05$). Hence, the researcher forced to accept hypothesis H2. This finding is consistent the finding of other studies results of [2,3,6 9, 12, 13, 17, & 27] evidenced that size audit fee has positive effect on auditors independence. The regression result evidenced that there is statistically significant and positive relationship between audit fee size and independence because coefficient of regression is positive. This implies that audit fee has positive contribution to the independence of external auditors.
- Professional Audit Standard:** regarding to the professional audit coefficient of regression of professional audit standard of [$\beta=0.263$] is positive and more statistically significant with p-value ($0.013 < 5$ %, level of significance. Therefore, hypothesis H3 stated as is accepted by the researcher. This finding is consistent with that [18, 19, 20, 22, 23,25 & 28] pointed out that existence of Existence of professional audit standard has positive effect on auditors independence. This indicates existence of professional audit standard has positive influence on external independence of auditors'.
- Competition Level of Audit Market:** when comes to the competition level with unstandardized coefficient of regression of [$\beta=0.346$] is positive and more statistically significant with p-value ($0.001 < 1$ %, level of significance. Therefore, hypothesis H4 stated as "competition in audit market has positive and significant impact on public good governance" is accepted by the researcher. This finding is consistent with that of Findings of [3, 5, 6, 11, 12,17,18, 21,

22,34 & 36] Increase level of competition in audit market has positive influence on auditors' independence. This indicates increase in competition in audit market has positive influence on auditor's independence.

- **Performance of Non-Audit Service:** the result of this study also shows that performance of non-audit service with unstandardized coefficient of regression [$\beta=0.224$] has positive and statistically insignificant since (p-value of $0.143 > 0.01$ and 0.05) Hence, hypothesis H5 is not accepted. This finding is inconsistent with finding of other studies results Studies by [3, 5, 6, 11, 12, 15,16,17,18, 21, 22, 26, 34& 36] provision of no audit service has negative effect on. The regression result of the model indicates the variable has no effect on auditors' independence.
- **Existence Audit Committee:** with regarding to audit committee, [$\beta=0.231$] is positive and statistically insignificant with p-value ($0.044 < 5\%$ level of significance. Therefore, hypothesis H6 is accepted. Result is similar with study finding of empirical researches such as Empirical findings of [5, 8, 11, 31, 32, 33, &34] found out that the existence of audit committee has positive effect on independence of auditors. This indicates that increasing in existence of audit committee in has constructive influence on auditor's independence.
- **Information Technology:** the result of this study shows that information technology (IT) with unstandardized coefficient of regression [$\beta=0.263$] has positive and statistically insignificant since (p-value of $0.040 < 5\%$, level of significances. Hence, hypothesis H7 was accepted by researcher. This finding is consistent with research finding of [10, 18, 24, 25,& 28] supported that information technology has positive effect on auditor's independence. The finding implies that increase in information technology facility has positive and statistically significant impact on independence of auditor's since it facilitates audit work to be conducted in effective and efficient manner.

CONCLUSIONS

In this research work, the researcher explored factors affecting auditors' independence with reference to private authorized audit firms in Ethiopia. By keeping this objective in mind, the researcher collected the primary data through structured questionnaire developed in the form of Likert scale. By using SPSS version 21.0, the analysis of both descriptive and inferential statistics has been done. Based on the findings from the regression analysis of the model, the researchers concluded that the auditors' independence was best explained by the explanatory variables included in the model. The finding of this research demonstrated that the audit firm size, size of audit fee, professional audit standard, level of competition, existence of audit committee and information technology have statistically significant and positive influence on the auditors, independence in Ethiopia. As the result research hypotheses one (H1), two (H2), three (H3), four (H4), six (H6) and seven (H7) have been approved by researcher in this study. But research hypothesis five (H5) was rejected. The study has shown a clear understanding of factors influencing auditors' independence in Ethiopia. So private audit firms, government bodies, policy makers, and accounting and auditing board of Ethiopia have to consider the determinants of external auditors' independence in policy formulation to insure reliability of financial information that useful for economic decision making.

Open doors for the Future Research

Since any study cannot be free from limitations, accordingly there are some limitations in current study. It was focused only on identifying the factors affecting auditor's independence in Ethiopia. The seven explanatory variables incorporated in the model have only explained 40.2 % of the model. The remaining 49.8 % of changes in the independence of external auditors was explained by other explanatory variables that not included in the model. The other researcher should incorporate more variables to improve adjusted R^2 with the same topic at the same study area. In other way, the findings of this study may be difficult to generalize about all nations in all world. Hence, this study can be improved if it will be done at other nations and at international national level by comparing independence of auditors of public sector organizations with private organizations.

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