

## **Recurrent Audit Findings in Government Organizations: A Study on Public Universities in Ethiopia**

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### **Abstract**

*The main objective of this study was [to identify recurrent audit findings in public organizations in Ethiopia. To achieve this objective, 47 public universities were selected, and their annual audit reports were collected for 13 successive years from the Office of the Federal Auditor General of Ethiopia. A descriptive research design was used to categorize recurrent audit findings in the selected public universities. The study found that irregularities associated with property management, accounting, and reporting are the most prevalent among public universities. On the other hand, irregularities associated with project management are few in number, although this does not necessarily imply that the amount of money misused is insignificant. To reduce recurrent audit findings, the government should continue to hold the leaders of public universities accountable for the mismanagement of public funds under their administration*

*Keywords: Audit findings, Recurrent, Public Universities, Ethiopia*

### **1. Background of the Study**

Public funds should be managed efficiently and effectively to prevent *negative consequences* such as leakages, *wastage* and fraud. Timely and effective auditing supports public institutions by ensuring that public resources are managed responsibly and efficiently. Auditing provides independent assurance and objective assessments of whether public resources are managed efficiently and effectively *to promote accountability, enhance operations, and build public confidence* among citizens and other stakeholders. Through quality auditing, the government and citizens *can obtain* objective information about weaknesses in public fund management as well as recommendations for improving government financial administration (Institute of Internal Auditors (IIA), 2006).

In Ethiopia, as stipulated in the 1994 Federal Constitution, Article 101, the Office of the Federal Auditor General (OFAG) is responsible *for auditing public sector organizations* [corrected preposition and noun phrase] and ensuring that public funds are properly managed. To fulfill this mandate, the Office of the Auditor General *conducts both regulatory and performance audits*. In particular, *regulatory financial audits are conducted annually* for most public organizations, and any identified irregularities are reported to the parliament and the audited organizations.

Public universities are among the public organizations that OFAG is mandated to audit for financial, compliance, and performance issues. In line with this, OFAG has been conducting audits and *repeatedly reporting the misuse of public resources* at public universities over the past consecutive years. *Although no formal study has been undertaken*, these audit findings appear to

be repetitive from year to year. The purpose of this study, therefore, *is to systematically identify recurrent audit findings in Ethiopian public universities based on audit reports from the past 13 years (2009/10–2021/22)*.

To achieve this purpose, *the remaining sections of the paper are organized as follows*: The second section presents the rationale for the study and the objectives to be achieved. The third section *highlights* theoretical and empirical evidence related to the topic. The fourth section *describes the research methods adopted in the study*. The fifth section presents the *results and discussion*, and finally, the last section *concludes the study by offering key conclusions and recommendations*.

## **2. Statement of the Problem**

Most public higher education institutions in Ethiopia are federal government institutions, and the Office of the Federal Auditor General (OFG) is responsible *for auditing* their financial affairs. The Higher Education Proclamation No. 1159/2019, Article 61, states that public higher institutions in Ethiopia *receive budgets* from the federal government through a block grant system. In addition to government funding, public higher education institutions are *authorized to generate their own income sources* under Articles 65 and 66 of the same Proclamation. Currently, there is also an effort to make public higher education institutions *more autonomous in revenue generation and expenditure management*.

Article 62 of the same proclamation further states that the president of a public higher education institution shall conduct the financial affairs of the university *in accordance with the laws of the land and the principles of efficiency, effectiveness, and economy*. For proper management of public resources, Article 67 states that every public higher education institution shall install an *appropriate accounting system that generates periodic reports for effective monitoring and control*. The article further *requires* [subject-verb agreement] every public higher education institution to adopt double-entry accounting and a modified cash basis system, *properly record revenues and expenditures*, and comply with public financial administration directives issued by the Ministry of Finance.

Finally, Article 68 of the proclamation pertains to audit activities in higher education institutions. The first part of the article states that an independent internal audit department, *accountable to the Ministry of Finance*, should be established in every public university. The internal audit department is *mandated to conduct performance, financial, and property audits* of the institution and report its findings to the president and other concerned bodies. The second part of the article, which addresses external audits, states that the accounts of a public higher institution should be audited as appropriate by OFAG.

The Ethiopian Constitution, Article 101, *grants extensive powers and independence* to OFAG in discharging its mandate. The general impression in the country, however, *is that despite OFAG's broad powers and continuous efforts to address poor public financial management, there*

*remains a serious breakdown of accountability, resulting in significant waste, fraud, and misuse of public funds .*

The study by Tariku and Shibru (2016) in Ethiopia showed that recurrent audit findings are common in public organizations, as government institutions often *fail to implement recommendations from previous audits* . However, their study did not identify *specific* recurrent audit findings in Ethiopian public sectors. Tadesse (2004) argued that examining *multiple years of audit reports* may help identify recurrent audit findings and their underlying causes. According to him, by comparing historical audit reports, it is possible to determine which public sectors are showing progress and which are *deteriorating over time* . Furthermore, he stated that examining *major audit weaknesses from a historical perspective* may lead to a general understanding of the most common audit findings in public sectors.

To the best of the researcher's knowledge, apart from the studies cited above, *no research has specifically focused on recurrent audit findings in Ethiopia*. Therefore, this study was designed to examine public higher education institutions through the *audit lens* from a historical perspective. Specifically, it aimed to identify the major recurrent audit findings reported by OFAG over the past thirteen years in Ethiopia's public universities.

## **1. Review of Related Literatures**

Government auditing plays a vital role in proper utilization of public funds. There are two theories associated with public auditing. The first is the governance theory of auditing. This theory supports that government auditors play a significant role in good governance by enhancing accountability, transparency, equity, effectiveness and efficiency. The public in general and the Parliament in particular looks into the opinions of government auditors to make sure that government decisions are legal and the performance reports are accurate (IIA,2006; OECD,2005). The second is the agency theory of auditing. Under this theory, citizens are considered as principals and government officials and politicians are considered as agents (Jesus et al., 2022; IIA, 2006). According to Jesus et al. (2022), government officials acting as an agent must periodically be accountable to the citizens for every decision they are making on public money. If not properly controlled, the government officials (agents) may decide against the interest of citizens and misappropriate public resources. Appropriate government audits reduce the conflict of interest that arise as a result of principal agent relationships. The citizens rely upon the auditor's report with respect to the uses of resources in accordance with laws and regulations (IIA, 2006).

Recurrent findings are defined by Cahill (2012) as cases found in the previous audits where corrective action has not been completed and the same cases were repeated in the current audit report. According to Sadu (2017), an increase in recurring outcomes often suggests that the underlying cause of a control weakness has not been effectively addressed. When auditors make similar recommendations, the underlying causes of these control flaws are often related to human factors.

Some studies have examined the frequency of repeated findings inside government organizations. For instance, Hakim and Prosatyoso (2021) in their study in the Indonesian public sector identified the following recurrent auditing findings: administrative errors, splitting procurement value, using partners as a supplier of goods and service, budget change and administrative engineering. They further highlighted that the followings are the reasons for this recurrent audit findings including: lack of audit coordination and communication between the auditor, auditee and other related party; lack of post audit communication; lack of auditors competence in explaining audit findings; lack of ethical value and integrity; frequent regulatory change; frequent change of leaders and absence of strict sanction.

Hanif and Suntitiyoso (2021) associated factors for recurrent audit finding to employee, budget, organization, technology, regulatory factors and internal control failures. They further suggested improving employee competence, communication and coordination with supreme audit institutions, increasing supervision, prioritizing audit finding and focusing on the strategic one, enhancing the integrity and commitment of employees, penalizing those who are involved in misappropriation of public money.

## **2. Research Design and Methodology**

Document review is the main method of collecting data for this study. In addition to document review, key informant interviews were conducted with auditors of OFAG and experts in the ministry of finance. Eight key informants were selected from OFAG and MoF each and a total of sixteen interviewees were involved in the study. The participants were selected using purposive sampling taking into account their experience in the auditing and financial administration of public universities. The objective of the in-depth interview is to triangulate the findings obtained using document review and further clarify some of the findings.

There are 49 public higher education institutions under the federal government. However, audit reports of two universities were not found at all and hence only 47 universities were considered for this study. The audit report in connection to the 47 universities that were audited between 2009/10 - 2021/22 were critically reviewed to extract the required data.

Descriptive research design was mainly adopted in the study. Thematic analysis was used to categorize recurrent audit deficiencies into major categories. The recurrent audit findings were presented using tables and bar charts for ease of understanding. Then discussion was made in line with the relevant public financial management proclamations, regulations and directives of the federal government of Ethiopia.

## **3. Result and Discussion**

The result of the study was categorized into major elements including cash management, property management, receivable management, payable management, procurement process, project management, tax and lease payment, budget utilization, human resource management and accounting & reporting.

### *a. Cash and property management irregularities*

Public organizations need to properly utilize cash on hand and at the bank since cash is the life blood of any organization. In addition, properties under the control of any organization need to be used for the intended purpose. In connection to these two issues, review of the audit report of public universities for the past thirteen years indicates the following outstanding irregularities.

**Table 1: Irregularities related to cash and Property management**

a) Cash Management	Freq	Property Management	Freq
Problems in Bank account management	69	Not disposing old fixed assets on time	115
Shortage or overage of cash on hand	50	Irregularities related to vehicles	109
Making cash payment above the limit	26	Existence of idle properties	103
Not plowing unutilized cash back to MoF	25	Not establishing fixed asset record	96
Not making cash count regularly	11	Not giving ID number to fixed assets	56
Holding petty cash above the limit	10	Not making inventory of fixed assets	54
Using illegal receipt for cash collection	9	Not reconciling inventory with record	29
Other irregularities	4	Other irregularities	40
Sub Total	204	Sub Total	602

*Source: OFAG report from 2009/10 – 2021/22*

As can be seen in table 1, the most recurring irregularity in cash management is related to bank account handling. These include: not preparing monthly bank reconciliation; not depositing cash collection daily and problems associated with check payment. Although, the Councils of ministries regulation no 190/2010 article 29 states that, every person who collects public money shall deposit in a bank daily, bank account management is a serious problem of our universities which will in turn expose public money for misappropriations.

The second common irregularity is associated with shortage or overage of cash on hand. These include shortage of cash on hand and deviation of cash on hand from cash in the book. Making cash payment above the limit and not plowing back any ending cash balance to the ministry of finance are the next in order. Proclamation no.648/2009; article 36.1 states that “the unspent balance of an appropriation granted for a fiscal year shall lapse and shall be credited to the treasury account of the Ministry”.

Not making periodic cash counts and holding petty cash above the specified limit are the next types of irregularities reported by OFAG in their respective order. Especially, in connection to petty cash, Federal government cash administration directive no.3/2003 article 1.9 and article 21.1 states that “the petty cash to be held by a public body should be determined by the organization but it should be for expenses with unit price less than birr 2,000.00 and the total amount should not exceed Birr 30,000.00”. The directive further states that; under exceptional cases, the amount of petty cash can be increased based on the nature of the public organization after getting approval from the ministry of finance.

In connection to the use of receipt, proclamation no. 648/2009, article 10.2 states that “no public money shall be collected without the use of the official receipts of the Ministry or a receipt printed with the authorization of the Ministry”. Council of ministries regulation no.190/2010 article 25.1 also further states that “every sum of money collected on behalf of the Federal government of Ethiopia should be made using serially numbered, official receipt of the Ministry or of entities authorized by the Minister”. Use of illegal receipt for cash collection is another irregularity though not as recurrent as other findings.

Since properties are resources that can be readily converted for personal use, management needs a sound control system. The federal government cash administration directive no.3/2003 article 1.15 states that; supplies are properties with unit cost of birr 1,000.00 or less and fixed assets are properties with unit price of above birr 1,000.00 and having useful life above one year. Therefore, properties in this context include fixed assets as defined above.

As can be seen from table 1 above, not disposing of old properties that cannot be used any more in the public universities is the most recurring irregularity. This is against Proclamation 648/2009 article 62 which states that “the head of each public body shall ensure all properties at the disposal of the public body are properly handled, used and where necessary disposed in accordance with the directives to be issued by the ministry”. Further, the Federal government property administration directive 9/2003, article 67.1 also states that “fixed assets which are not useful to the organization should be disposed of”. Article 23 of the same directive further identifies the means through which unused public properties should be disposed including: transferring to another public organization, selling through bid process, using component parts for repair and maintenance as a spare part, giving to others as a gift and finally burying in the ground if it is an expired chemical or any dangerous property.

The next recurrent irregularities in property management are associated with public vehicles including absence of ownership certificate for vehicles (commonly called “Libree”), presence of damaged and not properly kept vehicles, not having separate file for recording life history of each vehicle and other miscellaneous irregularities associated with vehicles. Specifically, in connection to files for recording life history, the federal government vehicle utilization directive no.219/2013 article 6 states that; any public organization need to keep record of a vehicle under his control including: the type of vehicle, capacity, Chansi and motor number, type of oil used, date of acquisition, price, ownership documents etc.

Efficient and effective utilization of each and every property is expected from each public university. However, as can be seen in table 1 above, presence of idle properties is the next common irregularity. The presence of idle property in most of the times might be as a result of unplanned property acquisition or absence of spare parts for its proper utilization. Further, since not all equipment purchased or transferred were recorded or tagged properly, valuable equipment items could not be located and overstocking of inventory might occur which leads to accumulation of idle properties.

Not establishing fixed asset records and not providing identification numbers for every fixed asset are the next recurring irregularities. In connection to this, Federal government property administration directive 9/2003 article 6 states that “heads of public bodies should ensure that all records in relation to public properties are properly kept in line with formats prepared by public procurement and property administration agency”. Article 65.1 and 65.2 of the same proclamation further states that public bodies shall adopt a lifetime approach to the management of public properties and shall ensure that items of public property are recorded. Each and every public property needs to have a separate identification number and should be recorded on a stock card for control purposes. In addition, user cards should be prepared when it is taken for use by employees of the organizations.

Although, the Federal government property administration directive 9/2003, article 5 states inventory of public property should be taken at least once annually; not making regular inventory of fixed assets and not reconciling with fixed asset book of record are the next recurring irregularities. If complete physical inventory of properties and equipment were not conducted, it may be difficult to detect the loss of public properties.

Finally, other property management irregularities including; storing property before approval by the quality committee; property not returned back by an employee who resigned from the university; weak control of properties withdrawn for use in bulk by user departments; keeping expired drugs and chemicals are rarely reported audit findings.

***b. Receivable and Payable related irregularities***

Collection of amounts due and paying out any obligation by universities on time is essential to provide net resources to support their operations. Table 2 below summarizes recurrent audit findings associated with receivables and payables.

**Table 2: Irregularities related to receivable and payable management**

Receivable Management	Freq.	Payable Management	Freq.
Unsettled receivable under suspense account	288	Unsettled payable under suspense account	197
Not collecting indemnifications	95	Unlawful payment to beneficiaries	59
Uncollected receivables	23	Making over payment to beneficiaries	28
No subsidiary ledger for receivables	12	Making payment without legal receipt	18
Uncollected rental Income	9	Making payment without approval by head	14
Other irregularities in receivable accounts	8	Other irregularities in payable accounts	25
Sub total	435	Sub total	341

Source: OFAG audit report 2009/10 -2021/22

The findings above showed that the most recurring issue in receivable management is timely settlement or collection attempts were not made for accounts receivable arising from advance payment or sales of goods and service. In connection to this, Council of ministries regulation 190/2010 article 32 states that “when necessary to make purchases, cash advances may be made

to an employee of a public body which must be settled within seven working days after payment is received unless otherwise authorized by the head of the public body". Article 35 further states that "where any employee of a public body fails to repay an advance made to him or her in accordance with this regulation, the outstanding amount of the advance may be recovered from any sum of money payable to him or her by the government except for pension money".

In addition, not collecting indemnification associated to breaching contract, poor collection from rental income and other miscellaneous sources are also reported. Not establishing subsidiary ledger for proper receivable control is also common problem in public universities. Other irregularities in receivable account include: not collecting cost sharing from graduates; unlawful credit to external individuals; and advance payment for unapproved research project. This shows, public money was not properly collected on time and used for critical public services.

Proper controls over the spending of resources are essential to proper public accountability. Payables arise as a result of purchase of goods and services on credit or entering into a contract to make payment within one year with clients for projects. These kinds of pay should be settled within one year. As can be seen from table 2 above, the most recurring audit finding in connection to payable accounts is not making short term payables on time.

On the other hand, unlawful disbursement, payment above agreed amount, making payment without legal evidence and making payment without approval by top authority are the next recurring payable related irregularities. In connection to these, Proclamation no.648/2009 article 30 states that "except as provided in articles 23 to 26, no disbursements to public bodies shall be made in a fiscal year which exceeds the amounts appropriated in the budgetary Proclamation for that fiscal year". Further, Council of ministries regulation 190/2010 article12 states that; disbursements should be made if and only if they are appropriated. The federal government payment directive 4/2003 article 9 presupposes the following before making any payment for purchase of goods and service; presence of purchase order for goods and service; acceptance letter of the goods and service per the specification; store receipt and other pertinent approval documents in connection to goods and service. Any payment receipt should be an original copy and photocopy or other types of receipts cannot be used for effecting payment in public organization.

### ***c. Procurement and project management irregularities***

The Ethiopian government has made huge investments in establishing new universities and expanding existing ones in the past three decades. Therefore, public universities are undertaking huge procurement and capital projects. The following table 3 summarizes irregularities associated with procurement and project management reported in the past 13 years.

**Table 3: Irregularities related to procurement and project management**

Procurement	Freq	Project Management	Freq
Use of inappropriate procurement process	177	Payment without approval by consultant	29
Splitting procurement value	65	Not collecting indemnification	24

Procurement not approved by committee	17	Unlawful additional project order	15
Procurement with exaggerated prices	10	Other project related irregularities	24
Other procurement related irregularities	9		
Sub total	278	Sub total	92

*Source: OFAG report from 2009/10 – 2021/22*

As can be seen in the table 3 above, the most recurring irregularity in connection to public procurement is the use of inappropriate public procurement processes which is against the steps outlined in public procurement and property administration proclamation no. 1333/2024. Article 30.1 identifies four methods of public procurements including: open bidding, selective tendering, limited tendering and direct procurement. Article 31.2 warns that “except under special circumstances as indicated in the proclamation, all public procurement should be made using open bidding”. The proclamation further states that for large purchases or projects; the purchasing department usually has to do it via e-Procurement, a more rigid system and has little corruption. Against this, significant numbers of public universities split the procurement value and make direct purchases and avoid the need for competitive procurement processes.

The 2025 public procurement directive article 8.1 specifically states that “all public bodies need to have a procurement committee having three members who will serve for three consecutive years”. Against this requirement, some universities still undertake procurement without the approval of the concerned procurement committee. Other procurement related irregularities include making purchases at exaggerated prices, making procurement without checking appropriate ownership rights, making unplanned procurement, procurement from the international market rather than local market and other irregularities in the bid process.

The most recurring project management irregularities include: effecting payment without the approval by the consultant, not collecting indemnification associated with breach of contract, providing unlawful additional project order to the same contractor and other project related irregularities. From the finding, the frequency of irregularities related to project management looks small in number. However, their financial implication might be huge as large amount of resources are usually spent on projects.

#### ***d. Irregularities associated to revenue and expense recognition***

In addition to block grants, public universities are allowed to mobilize their own revenue from related activities as outlined in higher education institution internal revenue administration directive 39/2006. However, public universities are required to spend the revenue from internal sources only for the intended purpose as appropriated in their annual budget. The following table 4 summarizes irregularities associated with revenue and expense recognition in public universities.

**Table 4: Irregularities related to revenue and expense recognition**

Revenue recognition	Freq.	Expense recognition	Freq.
Revenue recognized without evidence	51	Expenditures violating laws	182

Revenue not recognized at all per the law	51	Expenditures without evidence	171
Revenue recognized without any law	4	Making expense above agreed amount	88
Revenue in kind not recognized	4	Unapproved expenses by authority	11
Sub Total	110	Sub total	448

*Source: OFAG audit Report 2009/10 -2021/22*

Among revenue related irregularities, recording revenue without supporting evidence and not recognizing revenue per the existing laws are common among public universities. In addition, revenue recognized without law and revenues in kind not recognized are also reported as audit findings for some universities.

Controls over the spending of resources are essential for proper public fund management. In relation to this, spending public money without rules and regulation is the most recurring audit finding. In addition, expenses without proper evidence are the second in order. Expenses above agreed amount and unapproved expenses are the third and the fourth type of irregularities reported. This indicates that controls were not present to safeguard against overpayments and duplicate payments; reimbursement was sought from the government for unallowable expenditures; federal funds were drawn in excess of immediate expenditure needs in violation of federal cash management directives.

***e. Irregularities associated to budget utilization and taxation***

Each and every spending of a public organization should be based on an approved budget. Therefore the budget utilization of public universities should be in line with the existing rules and regulations. The following table 5 summarizes the outstanding audit findings related to budget utilization, taxation and lease payment.

**Table 5: Irregularities related to Budgeting and Taxation**

<b>Budget utilization</b>	<b>Freq.</b>	<b>Taxation and lease payment</b>	<b>Freq.</b>
Utilizing above or below approved budget	302	Not collecting VAT and Withholding taxes	64
Utilizing recurrent budget for internal revenue	14	Not collecting tax from housing allowance	12
Utilizing internal revenue for recurrent budget	14	Inappropriate lease payment	10
Budget transfer without approval	8	Inappropriate withholding tax rate	10
Making payment without approved budget	4	Penalty for not submitting collected tax on time	8
		Not taxing OT income properly	7
Sub total	342	Sub total	111

*Source: OFAG audit report 2009/10-2021/22*

As can be seen from the above table 5, the most recurring audit finding associated with budget utilization is the use of above or below the approved budget without any supplementary budget request or budget transfer. If an additional budget is required, public organizations can request

supplementary budgets in line with Council of ministry regulation 190/2010 article 10 which states “when the need for supplementary appropriation arises, proposals for such appropriation shall be submitted to the minister”. Further, Proclamation 648/2009 article 23 states that budget transfers shall be allowed from the recurrent budget to the capital budget but no transfers shall be allowed from the capital budget to the recurrent budget. Per the amended financial administration proclamation No.970/2016, article 12, the authority for budget transfer was given to the ministry of finance though Council of ministry regulation 190/2010 article 8.4 states that the ministry can delegate its authority to public bodies.

The next common irregularities are the use of revenue from internal sources for recurrent purposes and the use of recurrent budgets for activities related to internal revenue generation. This is against higher education institution internal revenue administration directive 229/2013 article 4 which states that “revenues generated from internal revenue sources cannot be used for covering recurrent activities and purchase of vehicles”. Further, article 8 of the same directive states that public universities need to separately keep records of revenue and expenditure, prepare reports, present for external auditing and submit the same to the Ministry of Finance.

The major recurring irregularities associated to taxation and lease payment include: not collecting VAT and withholding taxes, not collecting tax from housing allowance, making inappropriate lease to revenue offices in Amhara region, use of inappropriate withholding tax rate, penalty for not submitting collected tax on time and not taxing overtime income properly in their respective order.

#### ***f. Irregularities associated to human resource, accounting and reporting***

Salaries and benefits account for a large portion of overall government expenditures, and human resources are one of the most important assets. Management is responsible for ensuring that the correct wages and benefits are paid to eligible employees. Further, keeping the accounts of public organizations and reporting the result on a periodic basis is essential. The following table 6 summarizes irregularities associated with payment to employees, accounting and reporting.

**Table6: Irregularities related to human resources and accounting**

Human Resource Management	Freq.	Accounting and Reporting	Freq
Making OT payment without legal rate	46	Making record in the wrong account	171
A single employee doing related jobs	39	Recording expense of this year in the next year	99
Overpayment of per dime and allowance	37	Not including internal revenue in the report	84
Hiring temporary instead of permanent staffs	35	Not including internal expenses in the report	41
Paying full salary to staffs going abroad	27	Reporting accounts with abnormal balance	34
Paying illegal top-up & annualization	19	Inappropriate receipt in recording expense	28
Paying salary for resigned employees	15	Reporting expense before collecting properties	27
Paying per dime without filling forms	14	Other accounting and reporting irregularities	22
Inappropriate payment of housing allowance	16		

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Paying utility expense for staffs	10	
Other HR related irregularities	11	
sub total	269	Sub total

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*Source: OFAG audit report 2009/10-2021/22*

The first personnel related irregularity is making overtime payment without having an approved payment rate. In this connection, higher education institutions internal revenue administration (amended) directive 212/2013 article 2 states that “the rate for revenue and expense of internal revenue and expenditure sources should be determined by the board of the university and any overtime payment should be in accordance with this approved rate”.

The next recurrent audit finding is associated with assigning a single employee to related activities that need to be separated for the purpose of control. This usually happens in the area of property management. A single individual cannot be assigned as procurement officer as well as store keeper. Federal government internal control directive 8/2003 article 8.1 also states that the organizational structure and employee placement should take into account the nature of jobs and property control. For control purposes, two job positions that need to be segregated should not be merged together and handled by a single employee.

Overpayment of per dime and allowance; hiring temporary instead of permanent employees without getting permission from Civil service commission; paying full salary to staffs going abroad for higher education; making illegal top-up & annualization payment; paying salary for resigned employees; per dime payment without appropriately filling payment forms; inappropriate payment of housing allowance to staffs; paying utility expense for staffs personal consumption and other human resource related irregularities are recurrent audit finding reported by OFAG in their respective order.

The major recurrent accounting and reporting irregularity was keeping record in the wrong account. In connection to this, the Ministry of Finance has a standard chart of account and all public organizations need to keep their record using this chart of account and submit their report periodically.

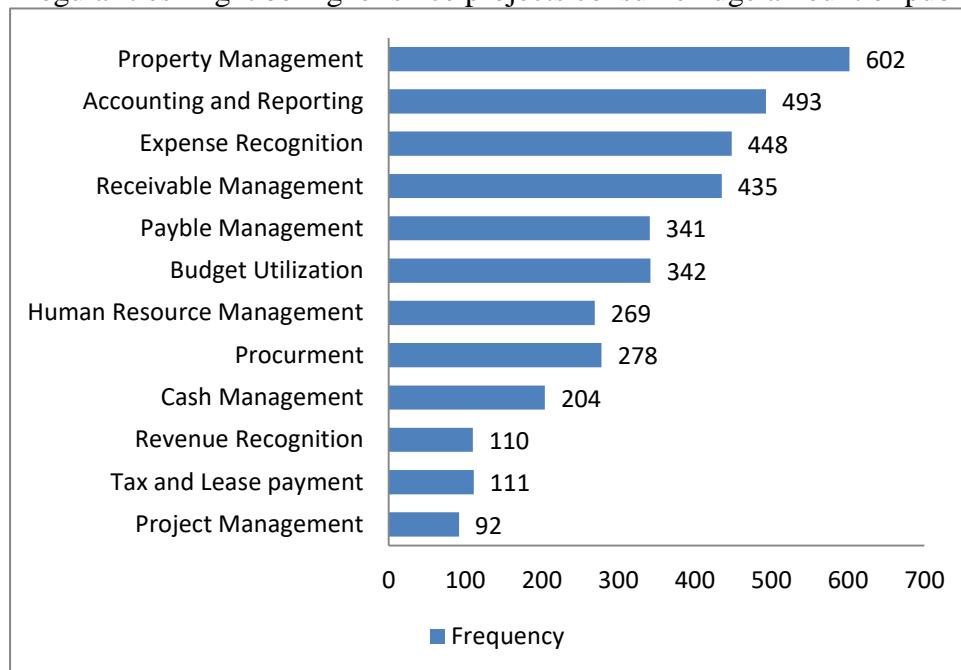
The next common audit finding is related to reporting expenses of one year in the next fiscal year. This indicates appropriated funds were expended for purposes not directly related to the appropriation. Ethiopian government accounting is based on a modified cash basis which gives only a one month grace period for commitments entered towards the end of the reporting year. Under this system, commitment entered towards the end of the month of June of the fiscal year can be recorded as expenses of the same year though the payment will be made in the month of July of the next year.

The third and fourth irregularities are associated with not reporting internal revenue sources and expenses separately. This is against higher education institution internal revenue administration directive 229/2013 article 8 which states that “public universities need to separately keep records

of revenue and expenditure, prepare report, present for external auditing and submit the same to the Ministry of Finance”.

The next types of irregularities include: reporting accounts with abnormal balance, use of inappropriate receipt in recording expenses, recording expenses before properties are received and other accounting and reporting irregularities in their respective order. Specifically, in connection to abnormal balance, Federal Government accounting directive 5/2003 article 6.2 states that any account should have normal balance known in accounting practice.

Figure 2 below shows the number of cumulative audit findings under each of the major categories in the past 13 years from 2009/10 -2021/22. As can be seen from the figure, the most recurrent irregularities in the past thirteen years are associated with property management. This indicates that there are various inefficiencies and misuse in public properties mainly in fixed assets. This is mainly as a result of a poor internal property control system. In connection to this Sadu (2017) also argues that an increase in recurrent audit findings are usually caused by poor internal control. The second common group of irregularities are associated with accounting and reporting issues. Irregularities associated with expense recognition and receivable accounts are the next in their respective order. Irregularities associated with project management are few in number as compared to others. However, the amount of public funds involved in these few number of irregularities might be higher since projects consume huge amount of public money.



Source: OFAG audit report 2009/10 -2021/22

**Figure 2: Cumulative audit finding over 13 years**

In-depth examination of the specific audit finding indicates that most audit findings are repeated each year. The key informant interview with experts from MoF and OFAG found the following reasons for recurrent audit findings. First, public universities are not taking corrective action

based on the recommendation of OFAG, maybe because of carelessness and poor follow-up from concerned bodies (All participants from OFAG). Second, there are some gaps in the rules and regulations of the government. For instance, the circular from the Civil Service Commission states that temporary employment is not possible for permanent positions. On the other hand, some universities will not be able to get permanent employees for cooking jobs as the salary is too small and will be forced to hire temporary employees violating the circular (OFAG 4). Third, the centralized procurement system did not deliver goods and services on time and sometimes universities are forced to split large procurement and make small purchases frequently in order to meet immediate needs (OFAG 5). Fourth, the parliament standing committee, ministry of justice and other relevant executive organs are not taking action on those officials who mismanaged public money (OFAG 7). Finally, some university presidents are politically affiliated to the ruling party and undermine recommendations given by OFAG (OFAG 6).

From the interview results, it is known that several factors trigger recurrent findings in an audit conducted by OFAG. Weaknesses in internal control system, control environment, risk assessment, control activities, information and communication, internal control monitoring, other causes outside the internal control system, external causes etc (All participants from OFAG and MoF). These factors were also identified by previous studies by Hakim and Prosteyono (2021); Tariku and Shibru (2016); Nunu et al. (2017); Sayekti (2017); and Yunanti (2016).

#### **4. Conclusion and Recommendations**

The main objective of this study is to identify recurrent audit findings in public universities in Ethiopia. To achieve this objective, 13 year audit reports of OFAG ranging from 2009/10 – 2021/22 were collected and examined using a thematic approach. The study found that the most recurrent irregularities in the past thirteen years were associated with property management. This implies that there are various inefficiencies and misuse in public properties mainly in fixed assets. This is mainly as a result of a poor internal property control system. The second common group of irregularities are associated with accounting and reporting issues. Irregularities associated with expense recognition and receivable accounts are the next in their respective order. Irregularities associated with project management are few in number as compared to others. However, the amount of public funds involved in these few irregularities might be higher since projects consume huge amounts of public money.

In-depth examination of the specific audit finding indicates that the majority of the audit findings are recurrent from year to year. This might be because of the poor accountability of the heads of public universities. Although, financial accountability directives 48/2009 were already prepaid to make officials accountable for public finance mismanagement, the executive and legislative organ of the government should be committed for its implementation. Although, there are few attempts to penalize some officials, it is not sufficient as compared to the misappropriation of public money and leaders need to be accountable for their mismanagement under their leadership.

The majority of the audit findings are associated to poor internal control, noncompliance with government regulation and poor accounting and reporting. As a result, public universities need to strengthen the internal control system; respect government rules and regulations and adhere to government accounting and reporting directives. Some of the causes for the above problems are associated with employee competence and hence capacity building should be given due attention. Especially both on job and off job training should be arranged in the areas of property management, government accounting & reporting and budget administration.

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