

KOLOKIUIM PENYELIDIKAN 2021
INSTITUT TADBIRAN AWAM NEGARA

**ANTECEDENTS OF INTENTION TO ADOPT AUDIT
RECOMMENDATIONS AMONG PUBLIC SECTOR
AUDITEES**

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1. INTRODUCTION

1.1 Background of the study

- There were weaknesses in term of financial management in federal ministries and departments (NAD 2016; NAD 2017; NAD 2018).
- Unsatisfactory financial management cases had been raised within the three years' period reflected that the auditees unsuccessful to fully adopt the audit recommendations.
- Weaknesses occurred due to negligence, inadequate training for accounting and finance staffs, lack of supervision and close monitoring (NAD 2016; NAD 2017; NAD 2018).
- There will be automatic improvements in organizations that have been audited, only if they correct the malfunctions in accordance to audit recommendations (Bonollo 2019).

1.2 Problem Statement

- Repeated audit issues
- Auditees are not putting full efforts to take the corrective actions to mitigate the financial management weaknesses of their organisations.
- Most studies related to public sector audit seems to be under-theorized because most literatures were lacked of a clear and explicit reference to theory (Bonollo 2019; Goddard 2010; Leeuw 2011)

Theory of Planned Behaviour

General rule in TPB:

- ❑ the more favorable the attitude and subjective norm, and the greater the perceived behavioural control, the stronger should be the intention of a person to perform the behavior in question (Fishbein & Ajzen 2011).



1.3 Research Questions (Theory of Planned Behaviour)

What is the relationship between attitude towards audit recommendations and intention to adopt audit recommendations?

What is the relationship between subjective norm and intention to adopt audit recommendations?

What is the relationship between perceived behavioural control and intention to adopt audit recommendations?

1. INTRODUCTION

1.4 Research Objectives

To investigate the effect of attitude towards audit recommendations on intention to adopt audit recommendations;

To investigate the effect of subjective norm on auditees' intention to adopt audit recommendations; and

To investigate the effect of perceived behavioural control on auditees' intention to adopt audit recommendations.

1.5 Significance of the study

- Contributes to the growing body of knowledge in Theory of Planned Behaviour in the public sector setting in Malaysia.
- Provide insights for Federal Departments to formulate a comprehensive strategy to ensure that auditees implement audit recommendations.
- Explores the effect of attitude, subjective norm and perceived behavioral control on the intention to adopt audit recommendations among auditees in Federal Departments.



2.

LITERATURE REVIEW

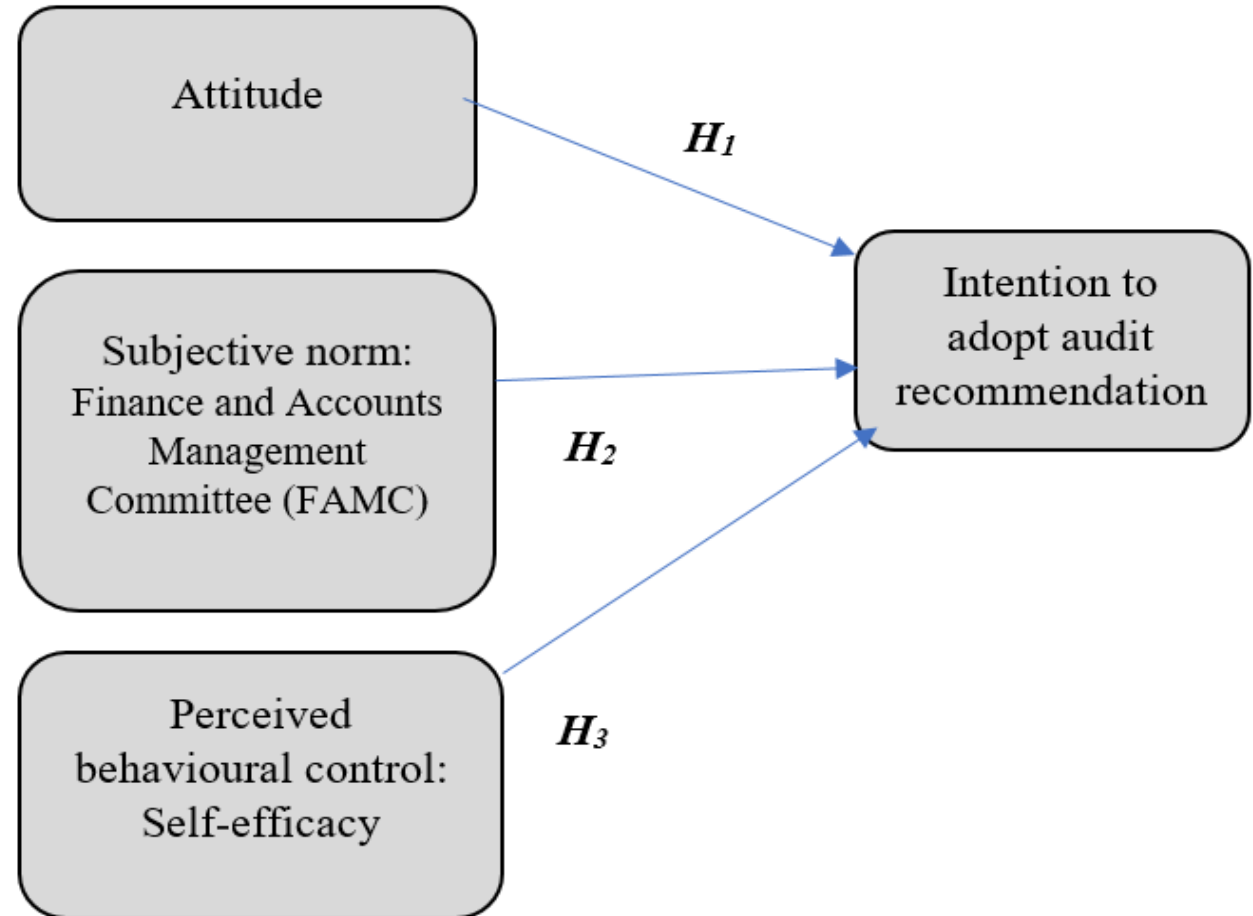
Hypotheses development

H_1 . Attitude towards audit recommendations has a significant positive relationship with auditees' intention to adopt audit recommendations.

H_2 . Subjective norm has a significant positive relationship with auditees' intention to adopt audit recommendations.

H_3 . Perceived behavioural control has a significant positive relationship with auditees' intention to adopt audit recommendations.

Research Framework



2. LITERATURE REVIEW

Dependent variable

Intention

- Indicates how hard people are willing to try and how much effort they are planning to exert in order to perform the given behaviour (Ajzen, 1991; Eagly and Chaiken, 1993).
- It is an individual's decisions or self-instructions to act (Sheeran et al., 2016).
- In this study, intention to adopt audit recommendations is defined as willingness of auditees to make efforts to improve the financial management in their organisations by implementing audit recommendations stated in the audit reports.

2.

LITERATURE REVIEW

Attitude

- The degree to which an individual has a favourable or unfavourable appraisal of behaviour under consideration (Ajzen, 1991)
- In this study, attitude refers to perception of auditees on the importance of audit recommendations to improve management efficiency, cost savings and enforce compliance with government regulations.

Independent variables

Subjective Norm

- A belief regarding what others think one should do (Ajzen, 1991).
- Individual's intention to perform certain behaviour is expected to be influenced by the perception of others who are important to the individual (Sheeran et al., 2016)
- This study used Finance and Accounts Management Committee (FAMC) as reference group for subjective norm.
- Subjective norm refers to auditees' perception on the mechanism used by FAMC to monitor the implementation of audit recommendations.

Perceived Behavioural Control

- Individual's perception of the ease or difficulty of performing the behaviour of interest (Ajzen, 1991).
- Consists of two elements, which are self-efficacy and controllability (Ajzen, 2002).
- Prior studies have provided empirical evidences that self-efficacy has significant effects on behavioural intention (Sheeran et al., 2016).
- This study employed measurement items for self-efficacy to measure perceived behavioural control.
- Self-efficacy
 - The degree to which individuals perceive themselves as efficacious and capable (Cast and Burke, 2002).

3. RESEARCH METHODOLOGY

3.1 Measurement of the variables

- This study measured intention, attitude and subjective norm by adapting measurement items developed by Nooranita and Mohd Mohid (2017).
- Measurement of perceived behavioural control :
 - replicated the original construct which was developed by Cast and Burke (2002)

3.2 Sample selection and administration

- The current study applies the **positivism** paradigm.
- Applied existing theory (TPB) to develop hypotheses.
- *Quantitative approach*
- *Purposive sampling*
- *Survey questionnaires were distributed to 228 public sector auditees in the selected federal departments in Sarawak, Malaysia.*

4. ANALYSIS AND RESULTS

4.1 Profile overview

(Summarised from SPSS output)

- A total of 200 returned questionnaires were analysed by using SPSS and SmartPLS
- Demographic details of 200 auditees who participated in this study are as follows:
 - 72% held supervisory position, for example, Chief Clerks, Assistant Accountants, Assistant Administrative Officer, Administrative dan Diplomatic Officers, Accountants (Grade 22 to 40 : 61%, Grade 41 and above : 11%)
 - 71.5% of the auditees were attached to Finance, Accounts and Administration sections/units in their departments.
 - 65% held their current position for a period of five years and above.

4. ANALYSIS AND RESULTS

4.2 Evaluation of structural model

<i>Predictor Variable</i>	<i>Target Variable</i>	<i>Path Coefficient (R^2)</i>	<i>Predictive Accuracy</i>	<i>Predictive Relevance (Q^2)</i>
Attitude, Subjective Norm, and Self-Efficacy	Intention	0.761	Substantial	0.662

4. ANALYSIS AND RESULTS

4.3 Hypothesis testing

Hypothesis	Standardised Beta, β	Standard Error	<i>t</i> Value	ρ Value	Decision
H1: Attitude → Intention	0.714	0.049	14.589	0.000	Supported
H2: Subjective norm → Intention	0.211	0.050	4.237	0.000	Supported
H3: Perceived behavioural control: self-efficacy → Intention	0.044	0.031	1.423	0.078	Supported

Notes: t-value > 1.282 for right tail test; $\rho < 0.10$; significance at 0.10 level

5. DISCUSSION

5.1 Theoretical Implications

- This study addresses the issue of under-theorisation in public sector auditing research (Bonollo, 2019; Goddard, 2010; Leeuw 2011) by testing Theory of Planned Behaviour (Ajzen, 2001; Fishbein and Ajzen, 2011) in the public sector auditing context.
- The outcomes of this study support that attitude, subjective norm and perceived behavioural control have significant positive influences on auditees' intention to adopt audit recommendations.

5. DISCUSSION

5.2 Managerial Implications

➤ **H1 result implies that :**

(Attitude towards audit recommendations has a significant positive relationship with auditees' intention to adopt audit recommendations.)

- ❑ Auditees perceived that audit recommendations are important for their departments to improve management efficiency and cost savings as well as enforce compliance with government regulations.
- ❑ Top management may emphasize the importance of audit recommendations by keeping proper documentation on the recommendations that have been implemented together with the analysis of their impacts on management efficiency, cost savings and compliance with government regulations.
- ❑ Malaysian public sector may consider to include implementation of critical audit recommendations as the key performance indicators for accounting and finance staff.
- ❑ Auditors also play important role in managing the perception of auditees towards the importance of audit recommendations.

5. DISCUSSION

5.2 Managerial Implications

➤ H2 result implies that :

(Subjective norm has a significant positive relationship with auditees' intention to adopt audit recommendations.)

- ❑ Auditees' perception on the role of Finance and Accounts Management Committee (FAMC) in monitoring the implementation of audit recommendations has positive influence on auditees' intention to adopt audit recommendations.
- ❑ The role of FAMC at departmental level has to be enhanced in monitoring the audit issues raised by auditors.
- ❑ FAMC should provide continuous assistance to the government departments in ensuring that the audit recommendations can be implemented successfully.

➤ H3 result implies that :

(Perceived behavioural control has a significant positive relationship with auditees' intention to adopt audit recommendations)

- ❑ The result of this study is consistent with past studies (Sheeran et al., 2016) where perceived behavioural control (self-efficacy) has significant effect on behavioural intention.
- ❑ Auditees need to be trained with the right skills and knowledge as their capabilities will determine how much efforts they will expend to adopt audit recommendations.

5. DISCUSSION

5.3 Limitations and future research directions

- This study employed quantitative research approach only which is insufficient to provide details of the situation that influences the implementation of audit recommendations in Malaysian public sector.
- It is suggested that further research to be conducted using combination of both quantitative and qualitative research methods.
- It is advisable for the interview questions to be prepared based on the outcome of the questionnaire survey and Auditor General's status reports on unresolved audit issues to capture the root cause for the repetitive audit findings.

6. CONCLUSION

- Auditees' attitude, subjective norm and perceived behavioural control have significant positive influences on their intention to adopt audit recommendations.
- Major players including the top management, auditors, important reference group and auditees play important role to mitigate the issue of failing to implement audit recommendations.
- This study also provides insights for agencies under Malaysian government to formulate a comprehensive strategy to ensure full-scale implementation of audit recommendations that helps to improve financial management and accountability that eventually leads to good public governance practice in Malaysia.

THANK YOU

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