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An Assessment of the Relationship between Audit Quality Characteristics and Client Satisfaction Perceptions in Government Parastatals in Kenya

Kamuruchi Reuben Migwi

**Submitted in partial fulfillment of the requirements for the Degree of Master of Commerce
at Strathmore University**



Nairobi, Kenya.

June, 2016

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Kamuruchi Reuben Migwi

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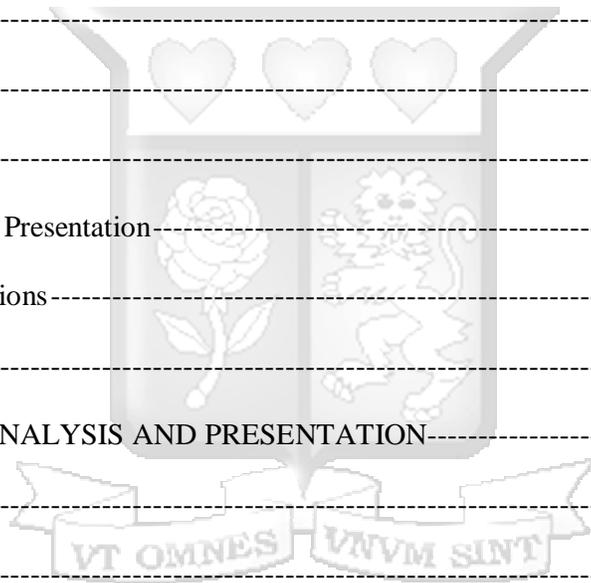
ABSTRACT

The study sought to assess whether there was a relationship between audit quality characteristics and client satisfaction perceptions in Government parastatals in Kenya. The study targeted all the 94 Government parastatals in Kenya audited by private auditors with the target respondents being the chief finance officers or their equivalents of these parastatals. The audit quality characteristics studied were; auditor technical competence, auditor independence and auditor responsiveness to client needs. The study found that there is a strong positive association ($r = 0.73$) between auditor independence and client satisfaction. The study also found that there is a moderate positive association ($r = 0.50$) between auditor responsiveness to client needs and client satisfaction. However, the study found that there was a weak positive association ($r = 0.34$) between auditor technical competence and client satisfaction. The study also found out that government parastatals in Kenya were satisfied with the overall audit. The study also found a very strong positive association ($r = 0.90$) between auditor independence and technical competence while association between auditor independence and responsiveness to client needs was strong and positive ($r = 0.61$). However, association between responsiveness to clients' needs and technical competence was found to be weak ($r = 0.39$). In addition, the chief finance officers or their equivalents in the government parastatals in Kenya gave other suggestions for enhancing satisfaction in their organizations. The most common suggestions were that: the auditors need to provide other non-audit services and give value added suggestions, auditors need training on Public Sector Accounting and Auditing Standards and Standards of Supreme Audit Institutions for uniformity in the sector, and that the audit to be carried out directly by the Auditor-General. The study recommends that auditors appraise themselves with public sector audit standards to enhance their competencies, avoid relationships that would impair their independence and offer unsolicited advisory services to enhance their responsiveness.

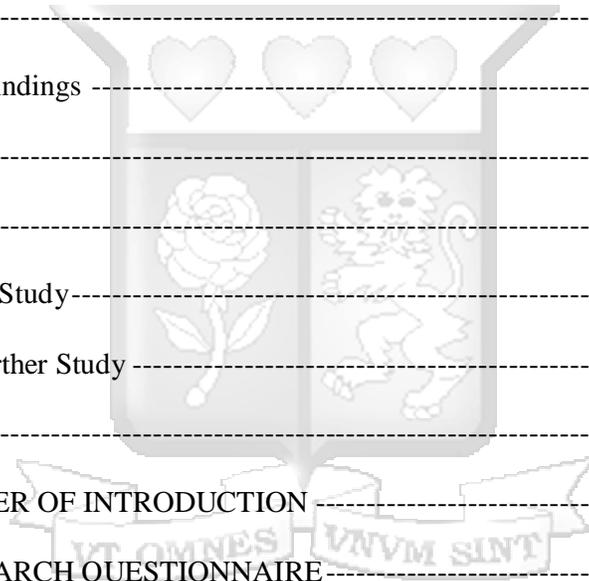
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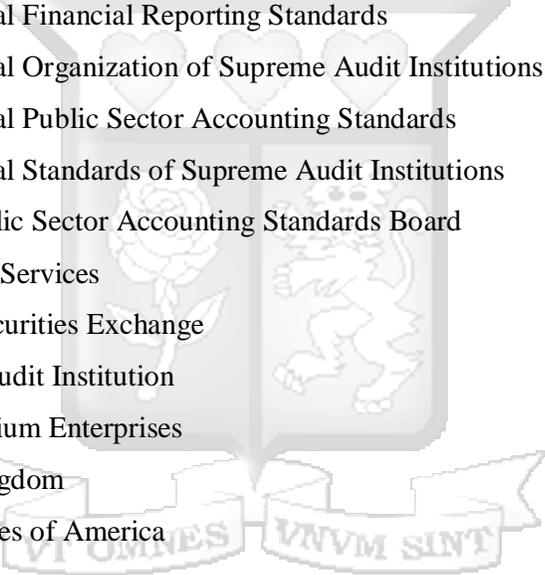
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ABBREVIATIONS

AC	Audit Committee
CFOs	Chief Finance Officers
CMA	Capital Markets Authority
CPAs	Certified Public Accountants
GAAS	Generally Accepted Accounting Standards
GAO	General Accounting Office
IAS	International Auditing Standards
ICPAK	Institute of Certified Public Accountants of Kenya
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS ^ø	International Public Sector Accounting Standards
ISSAI ^ø	International Standards of Supreme Audit Institutions
KPSASB	Kenya Public Sector Accounting Standards Board
NAS	Non-Audit Services
NSE	Nairobi Securities Exchange
SAI	Supreme Audit Institution
SMEs	Small Medium Enterprises
UK	United Kingdom
USA	United States of America



ACKNOWLEDGEMENTS

I take this opportunity to thank God for good health and for bringing me this far. I also want to extend special gratitude to my supervisor Dr. Josephat Mboya for his guidance, encouragement and patience in reading and refining this work.

Special thanks go to Dr. David Wangombe, Dr. Hellen Otieno, Dr. Freshia Waweru, Dr. James Mc Fie and Dr. James Ndegwa for their insightful input in refining this work.

Finally, I would like to acknowledge the input from my family, friends and colleagues for their support, words of encouragement and understanding throughout the writing of this study.



DEDICATION

I dedicate this research thesis to my family who have been my inspiration.



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In the present economic environment, characterized by technological dynamism and intensive competition, the issue of customer satisfaction has become extremely important for the success of any business. A company may therefore end up with increased pressure of work, lost revenue or income opportunities, high costs and increased levels of customer dissatisfaction if it fails to recognize and respond effectively to the changing business environment (Bariff, 2003). Nowadays, many service firms are stuck in highly competitive environments. Sometimes, a firm receives a disturbing message that their customer is not satisfied with its performance. By this time it may be too late to take any corrective action. Therefore, a firm must keep on asking itself, "what do clients want from us?" and "how do we improve what clients actually perceive?" With the emergence of high competition, the need for an appropriate approach to customer satisfaction in the context of professional services has become apparent. In the context of auditing, the quality of audit offered by professional auditors is a very important issue when signs of dissatisfaction with their services arise since the goal of any professional auditor offering a service is to close or narrow the gap between expectations and perceptions of customers (Sutton, 1993). Therefore, professional auditors must focus on customer satisfaction, study and determine as soon as possible the customer satisfaction level, adjust the product or service to customer needs in order to remain competitive and to gain trust from their clients.

Globally, Supreme Audit Institutions (SAI) have the responsibility of auditing and giving assurance services to governments and public sectors thereby enhancing public sectors and governments accountability (Clark et al., 2007). These audits are important in ensuring that accountability exists between parliament and the government, including government agencies, companies, authorities and controlled entities (Funnell, 1997). The SAI have assumed a wide variety of roles including broadening the traditional narrow scope of their mandate, they have taken on new tasks and adopted new approaches to public sector auditing, emphasizing more on efficiency, effectiveness and economy on public spending through value for money and performance audits, which can only be achieved by a competent and independent auditor

(Santiso, 2006). In Kenya, the SAI is known as Office of the Auditor General (OAG) which is headed by an Auditor General who has the constitutional mandate to audit all the records, financial or otherwise, of all public entities, agencies and semi-autonomous government institutions that draw funds from the consolidated fund or where the government has substantial interest in the ownership of a public entity (The Constitution of Kenya, (2010). The Constitution of Kenya, (2010) and the Public Audit Act, (2003) gives the Auditor General power to delegate some of his audit functions to private audit firms. This may lead to inconsistencies in the conduct of the audit process because whereas the public sector audit environment is monopolistic in nature, the private sector audit environment has some competitive characteristics. In addition, technical competency and independence of the auditor in the private sector differs from one auditor to another. Further, due to changes in legislations over the years, the approaches to government auditing have also been changing. For instance, Daugherty and Tervo, (2008) argued that like other profit making companies, accounting firms should continually endeavor to operate cost-efficiently to compete on both the quality of the audit and the fees earned, factors that may not apply to the Auditor General whose operations are funded by the government. In addition, the mechanisms of incentive systems may tempt or lead company managers to focus on increased short-term profits which may be at the expense of long-term ones. In such a situation, it would lead to an added benefit to the manager if the auditor agreed and submits to attest to the accounting choices made (DeAngelo, 1988). This argument may not apply to SAIs since the audits carried out are statutory in nature and the SAI does not rely on incentive systems to carry out the audits.

The Kenya Companies Act, Cap 486 requires all companies to have their financial statements audited every year where the directors and shareholders have the freedom to choose their auditors. However, public organizations that have been established through the Constitution of Kenya, (2010) and Acts of Parliament don't have that freedom to choose their auditors since the law require them to submit their financial statements to the Auditor General for audit. However, the law gives the Auditor General power to delegate, if he deems fit, an audit of a public organization to a private auditor to carry out the audit on his behalf. This requires the private auditor to comply with the constitutional requirements required of the Auditor General. On several occasions, Parliamentary Accounts Committee (PAC) and Parliamentary Investments Committee (PIC) of the National Assembly raised concerns that some private auditors chosen to

audit government parastatals do not meet their expectations since fraudulent cases continue to emerge from other sources (whistle blowers), yet the private auditor's reports do not contain the malpractices leading to their dissatisfaction. The committee, for instance, went ahead to demand all government parastatals in the energy sector cease to be audited by private auditors and revert to Auditor General. This confirms Njuguna (2008) argument that the private sector audit environment in Kenya faces undue pressure to issue their clients with favourable audit opinions even when the audit opinions ought not be favourable.

1.1.1 Public and Private Sector Audits in Kenya

The Government of Kenya established among others, several public entities, government agencies and semi-autonomous government institutions (all commonly referred to as government parastatals to aid it in service delivery to Kenyan citizens (Constitution of Kenya, 2010). During the period between 1st July 2010 to 30th June 2013, there were three hundred and fifteen (315) government parastatals in Kenya. The Constitution of Kenya, (2010) and the Public Audit Act, (2003) further require all government parastatals to submit their financial statements to the Auditor General who is the public auditor for audit after the end of each financial year. The Constitution of Kenya, (2010) further give the Auditor General power to delegate some audits to private auditor. In this regard, the audits of government parastatals ought to be carried out by the Auditor General but has delegated some of this function to private auditors. It is important to note that while other companies directors and shareholders have the freedom to choose their auditors and set their fees, this is different when it comes to government parastatals since the private auditors are appointed by the Auditor General but their audit fees is determined by the private auditor and the government parastatal.

In addition, the private auditor is required to comply with the International Standards of Supreme Audit Institutions (ISSAIs) as well as the International Public Sector Accounting Standards (IPSASs) and International Organization of Supreme Audit Institutions (INTOSAI) Guidelines which are required of the audits done by the Auditor General as prescribed by the Kenya Public Sector Accounting Standards Board. This may sometimes lead to differences in conduct of the audit as some private auditors may not be conversant with ISSAIs, IPSASs and INTOSAI Guidelines applicable in the public sector but may be conversant with International

Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Auditing Standards (IASs) applicable in private sector audits. Therefore, the audits carried out may result to different satisfaction levels on the government parastatals due to the following reasons: one, the auditors may have different technical competencies; second, the auditor independence may differ from one auditor to another; and third, the auditors may not be responsive to government parastatals needs in the same way.

1.1.2 Audit Satisfaction among Kenyan Organizations

Customer satisfaction is an evaluative process, that is defined as "a judgment that a product or service provides (or is providing) a pleasurable level of consumption related fulfillment, including levels of under or over fulfillment" (O'Leary and Stewart, 2007). According to Bou-Raad (2000), customer satisfaction is "captured as positive feeling (satisfaction), indifference or negative feelings (dissatisfaction)" It is a short-term attitude that can readily change given a constellation of circumstances. Therefore, satisfaction is not a static idea and can change as soon as a client finds a better deal that meets his expectations. In this perspective, firms must focus on customer satisfaction, study and determine as soon as possible the customer satisfaction level and be able to adjust the product to customer needs. Indeed, customer satisfaction has great significance for the future of an organization or an institution and it is seen as a basis for securing market position and achieving other objectives of the institution (Krishnan, 2005).

A number of government parastatals and private organizations in Kenya have had problems on the audit quality offered to them leading to their dissatisfaction. This is because they have either collapsed or have been on the verge of collapsing despite having received unqualified audit opinions. One of them was Nyaga Stock Brokers Limited which was placed under receivership on 5th March 2008. The event put the savings of an estimated 200,000 investors at risk. The stock brokerage firm had been placed under scrutiny over alleged misappropriation of clients' funds, and trading in customers' shares without their consent. The Kenyans who had invested in the stock market through Nyaga Stockbrokers could have lost up to Kshs.1.3 billion according to a forensic audit by PricewaterhouseCoopers (PwC). The role of the auditor's, their independence and competency was raised by the stockholders especially when it was discovered that the managing director had mismanaged the brokerage firm and had fraudulently transferred over

Kshs.523 million from the firm's bank account and Kshs.76 million from the firm's petty cash to his personal account, issues that had not been reported in the audit opinions issued by the auditors. Another firm Francis Thuo and Partners collapsed in 2007 with millions of shillings in investor funds was suspended from Nairobi Securities Exchange according to The Kenya Gazette of 9th March 2007. The role of the auditor's, their competency and independence was also raised by the stockholders since the firm had received unqualified audit reports.

According to Kenyan Parliament as was reported in the Daily Nation Newspaper of 20th September 2010, Tanathi Water Services Board was accused of rampant embezzlement of public funds, lack of accountability and duplication of roles between the government parastatal and its parent, the Ministry of Water and Irrigation. This led to massive loss of resources through unplanned projects, with many others remaining unfinished, something that the auditors had not earlier established and / or recommended. Further, the same report accused another government parastatal, Machakos Water and Sewerage Company Limited, of spending 23 per cent of its total budget on board expenditures in six months against a corporate governance guideline for the water sector government parastatals of two per cent or less. The auditor went ahead to issue an unqualified auditor's report to the government parastatal leading to dissatisfaction among the stakeholders.

1.2 Problem Statement

Prior research examined audit quality characteristics that drive client satisfaction in Denmark (Warming-Rasmussen and Jensen, 1998), the UK (Beattie et al., 1999) and the USA (Behn et al., 1997; Carcello et al., 1992; Sutton, 1993) but the studies were not clear which aspects of audit quality actually drive client satisfaction. For instance, Carcello et al., (1992) and Sutton (1993) studies found audit quality characteristics that were consistently recognized as critical were technical and industry expertise, interpersonal rapport with client personnel and adherence to general standards of General Accepted Accounting Standards (GAAS) while Behn et al., (1992) study found audit quality characteristics of auditor responsiveness to client's need, effectiveness and on-going interaction with the audit committee, independence and the appropriate conduct of audit field work as the drivers of client satisfaction. In addition, majority of the previous researchers measured audit quality by the proxy of size, i.e. big 6 and non big 6 audit firms.

Boughton et al., (1996) conducted a research and found that clients are concerned with a firm's performance in four critical areas: product quality, service quality, cost management, and timeliness. The US General Accounting Office (GAO) also carried out a survey in September 2003 and found a positive association between audit tenure and client satisfaction. However, the studies were not clear which aspects of audit quality actually drive client satisfaction. Atila (2012) further examined the relationships on responsiveness to clients' needs, the conduct of the audit process, interaction with the audit committees and client satisfaction in the Government Ministries of the Republic of Kenya. However, it was not clear how other audit quality characteristics drive client satisfaction on other companies.

Most of the studies mainly focused on developed nations leaving out developing nations like Kenya. Further, the researchers mainly focused on private sector audits carried out by private auditors and not government parastatal audits carried out by private auditors. In addition, and as a result of the delegated authority, the private auditor is required to use the public sector audit standards namely; ISSAIs, IPSASs and INTOSAI Guidelines in his or her work which are required of the audits done by the Auditor General and not IFRSs and IASs applicable in the private sector audits. As a result, the audit quality may differ from one government parastatal to another since the audits are carried out by different private auditors who have different competencies, are geographically dispersed, have different work experiences and independence and may not respond to client needs in the same way, which is contrary to the audits carried out by the Auditor General whose staff have a common reference point in the audit process. In addition, the shareholders expect the private auditor to give an opinion on the value for money audit on the audited financial statements, a requirement of public sector audit standards. If the shareholders are not satisfied with private auditors performance, they may lobby for change in law to prevent the private auditors from auditing them. The study was therefore carried out to help understand the government parastatals perception of audit quality offered by private auditors.

1.3 Objectives of the Research

1.3.1 General Objective

The main objective of the study was to assess the relationship between audit quality characteristics and client satisfaction perceptions in the government parastatals in Kenya where audits were conducted by private auditors.

1.3.2 Specific Objectives

The study aimed to achieve the following specific objectives:

- i. To assess the relationship between auditor's technical competence and client satisfaction perceptions in the government parastatals in Kenya.
- ii. To assess the relationship between auditor's independence and client satisfaction perceptions in the government parastatals in Kenya.
- iii. To assess the relationship between auditor's responsiveness to client needs and client satisfaction perceptions in the government parastatals in Kenya.

1.4 Research Questions

The study sought to answer the following research questions:

- i. Was there a relationship between auditor technical competence and client satisfaction perceptions in government parastatals in Kenya? If yes, what was the extent of the relationship?
- ii. Was there a relationship between auditor independence and client satisfaction perceptions in government parastatals in Kenya? If yes, what was the extent of the relationship?
- iii. Was there a relationship between auditor responsiveness to clients' needs and client satisfaction perceptions in government parastatals in Kenya? If yes, what was the extent of the relationship?

1.5 Scope of the Study

The study aimed to assess the government parastatals satisfaction perceptions on the audit quality offered by private auditors by focusing on the audit quality characteristics of auditor technical competence, auditor independence and auditor responsiveness to client needs. In the study, the required information was limited to questionnaires collected from the chief finance officers (CFOs) or their equivalents of the government parastatals in Kenya audited by private auditors since they were deemed to interact with the auditors more than other staff of the government parastatals. The period of study covered was July 2010 to June 2011, July 2011 to June 2012 and July 2012 to June 2013. This was because the implementation of the Kenya Constitution, (2010) which gave power to the Auditor General to delegate some audits started after its inauguration in August 2010 and the audited financial statements had been concluded up to June 2013.

1.6 Significance of the Study

The study will be of great significance to the following stakeholders;

1.6.1 Shareholders

The shareholders who are the National Government, County Governments and the General Public would know whether more laws and regulations are required to guide the audit performance of the private auditors in government parastatals audits or whether more resources are required to be channeled to the Auditor General to enhance capacity to ensure government parastatals and the public in general get value for money. This would then aid the shareholders in decision making on future audits especially on the competencies required and the level of involvement and cooperation required between the auditor and the client

1.6.2 Regulatory Agencies

Regulatory authorities like the Institute of Certified Public Accountants of Kenya (ICPAK) will know which areas to improve on in the provision of audit services in the public sector and areas that require development of further regulations and standards. This would aid in enhancing

auditors competency. The study may also inform the regulators on factors that are likely to impair auditors independence and enable them develop measures to mitigate those factors.

1.6.3 Academicians and Scholars

To the academicians, the study will provide a useful basis upon which further studies on private sector auditing government sector can be carried out. In addition, the study provide a useful basis upon which examinations bodies can consider introducing public sector accounting and auditing studies in their curriculum to enhance auditors competency.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is divided into three major sections. Agency theory which is the first part highlights the role of audited financial statements in mitigating the agency dilemma between shareholders and their agents (managers) is discussed in section 2.2 while the second part on client satisfaction and audit quality characteristics is discussed in section 2.3. The third part discusses the conceptual framework which includes operationalization of variables in section 2.4.

2.2 Agency Theory

The agency theory also known as agency dilemma or theory of agency occurs when one person, the agent, is able to make decisions on behalf of, or that impact, another person or entity, the "principal". This dilemma exists in circumstances where the agent is motivated to act in his own best interests, which are contrary to those of the principal which lead to agency costs. According to agency theory, information asymmetry exists between managers (agents) who possess more information about the true value of the company and shareholders (principal). This results in the weak monitoring power of the latter and provides managers with an opportunity to maximize their wealth at the expense of the shareholders (Godfrey et al., 2003). Different authors have claimed that auditors have divided loyalties. They must serve owners and other external stakeholders, while at the same time satisfy company managers. Auditors themselves view their divided loyalties in many different ways. Some auditors primarily perceive themselves as watchdogs who serve the external stakeholders, while other auditors primarily perceive themselves as managers' advocates (Jenkins and Lowe, 1999). Lee (1993) further emphasized the tension arising from both the interests of external stakeholders and managers. To reduce this tension, the independent auditors would need to control the company's accounting information. However, the position the auditors hold in relation to these two parties becomes the basis for stakeholders and managers viewing the audit quality in different ways.

Hellman (2006) argued that managers can be satisfied with audit quality without considering what is useful to owners and other external stakeholders. The researcher concluded that most

audit research that focuses exclusively on the managers' viewpoint has not explicitly factored the possible difference between client satisfaction and usefulness to external stakeholders. Watts and Zimmerman (1986) argued that companies are perceived as the nexus of contractual relationships between different interested groups, the most important agency relationships being between managers (agents) and shareholders (principals) and creditors (principals) and shareholders (agents). They concluded that in these relationships, the agents are expected to act in the best interests of the principals. Further, Watts and Zimmerman (1986) note that experience shows various mechanisms must be put in place to ensure that agents protect the interests of the other parties involved. One such mechanism is the audited financial statement. They conclude that corporate failure and corporate problems with financial reporting have spawned additional reasons for the continuous debate by regulators, legislators, financial-statement users, and researchers about the importance and role of auditors in mitigating the agency problem. They argue that performing this crucial role depends largely, among other things, on auditor technical competence and the auditor independence. Therefore, the auditor should play two important roles: that of detecting a misstatement (i.e. competence) and that of reporting it (i.e. independence).

2.3 Client Satisfaction

According to Oliver (1997), customer satisfaction or dissatisfaction results from experiencing a service and comparing that experience with the kind of service that was expected. Yi (1990) did a study and found that customer satisfaction was influenced by two factors; experience and expectations with service performance. The conclusion was that the goal of the service marketer is to close or narrow the gap between expectations and perceptions of customers. As a result, satisfaction in the public sector would mean that the public has confidence in the government that is entrusted in management of its resources. According to Anderson (1994), a satisfaction rating can be described as a decision regarding the fitness of a chosen product for its intended purpose. He suggests that consumer satisfaction is generally construed to be a post consumption evaluation dependent on perceived quality or value, expectations, and confirmation / disconfirmation of discrepancy between actual and expected quality. Church et al., (1995) carried out a study to examine factors that drive client satisfaction in listed public companies in US. The findings were that out of the several major factors that drive client satisfaction, three are

particularly important across all service firms namely, the quality of the service provided, the client's perception of the engagement partner and the engagement team and the price charged. They concluded that client satisfaction surveys are frequently criticized for reporting overly positive results. Carey and Doherty (1986) also did a study and found that there may be some standard attributes that generalize across many products or services while some attributes will apply only to specific types of products or services. They concluded that quality attributes applicable to many service organizations include availability, competence, responsiveness, convenience, and timeliness.

Researchers Parasuraman, Zeithaml, and Berry concluded that customer satisfaction can be described on the basis of 10 dimensions. They were tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communication, and understanding the customer. However, attempts to measure these 10 dimensions, however, reveal that customers can only distinguish between five dimensions because the original 10 dimensions overlap each other considerably (Li, 2002). Boughton et al., (1996) also carried out a study on client satisfaction and concluded that clients are concerned with a firm's performance in four critical areas: product quality, service quality, cost management, and timeliness.

2.3.1 Measuring Client Satisfaction

The public and private sectors have given much attention to the concept of client satisfaction. An analyst or researcher must operationalize the concept of customer satisfaction in order to measure it. More importantly, in order for any measurements to have validity, the analyst needs to assume some model of the subject matter (Oliver, 1999). Oliver (1999) highlighted several models of measuring client satisfaction. One of the models was The Expectations Disconfirmation Model which has been the dominant model in satisfaction research. The model has consumers using pre-consumption expectations in a comparison with post-consumption experiences of a product/service to form an attitude of satisfaction or dissatisfaction toward the product/service. In this model, expectations originate from beliefs about the level of performance that a product/service will provide. Another model was The Perceived Performance Model which has that expectations play a less significant role in satisfaction formation. The model performs especially well in situations where a product/service performs so positively that

the consumer's expectations get discounted in her/his post-consumption reaction to the product/service. This study is based on the expectations disconfirmation model.

To measure client satisfaction, Behn et al., (1997) and Boon and McKinnon (2008) conducted studies to ascertain attributes associated with overall client satisfaction. They measured overall client satisfaction with audit quality as the sum of the response scores for the items in the questionnaire, that is, overall client satisfaction was obtained by adding together the scores for satisfaction with the audit quality attributes. Anderson et al., (1983) in their study measured client satisfaction on a five point scale using Likert scale response format: 1-Very dissatisfied, 2-Dissatisfied, 3-Neither satisfied nor dissatisfied, 4-Satisfied and 5-Very satisfied. They argued that the Likert scale is easy to understand and traditionally reliable. A scale of four and above was considered as acceptable level of satisfaction. Further, Carcello et al., (1992) also did a study and measured client satisfaction using a five point Likert scale. They argued that a mean value of 3 and below indicated that respondents were either dissatisfied or very dissatisfied while a mean value of 4 and above indicated that the respondents were either satisfied or very satisfied. This study measured client satisfaction with audit quality characteristics as was measured by the above researchers.

2.3.2 Audit Quality and Client Satisfaction

DeAngelo (1991) defines audit quality as "the market-based joint probability that a given auditor will both (a) discover a breach in the client's accounting system, and (b) report the breach". That is, audit quality reflects the market's perception of the auditor's competence and their independence. Since audit quality is difficult to observe directly, one approach to assessing it is to examine the perceptions of audit quality held by clients and customers as users of financial statements and the audit opinion (Carcello et al., 1992 and Behn et al., 1997). Carcello et al., (1992) surveyed 264 controllers to identify the attributes that were perceived to be associated with audit quality both overall and among the three groups of preparers, auditors and users. Their study identified factors such as industry expertise, auditor experience with the client, responsiveness to client needs, compliance with general audit standards, involvement of audit committee and conduct of audit field work as attributes associated with client satisfaction. Behn et al., (1997) also surveyed 434 financial controllers of Fortune 1000 companies to ascertain

attributes associated with overall client satisfaction and found the attributes of responsiveness to client needs, active involvement of the auditor, effective involvement of audit committee, appropriate conduct of field work, industry expertise and auditor experience with the client to be positively associated with overall client satisfaction. They argued that overall client satisfaction with audit quality was measured as the sum of the response scores for the items in the questionnaire, that is, the measure of overall client satisfaction was obtained by adding together the scores for satisfaction with the audit quality attributes. They concluded that audit quality and client satisfaction are theoretically related because perceptions of audit quality are influential in determining client satisfaction.

Pandit (1999) surveyed 359 senior executives of US corporations to examine the effect of client satisfaction with audit quality and found the attributes of responsiveness to client needs, industry expertise, executive involvement in the audit and conduct of the audit field work as most important. The researcher hypothesized positive associations between each of these attributes and overall client satisfaction. Duff (2009) carried out a study on changing perceptions of audit quality in the UK and found that audit quality was defined by four higher-order factors labeled technical competence, independence, relationship and service qualities. Turley and Zaman (2007) and Dillman (2000) in their studies argued that quality audit performance depends mostly on the relevance and reliability of the auditor's report in examining contractual relationships and reporting on breaches. Bailey et al., (2003) further suggests that higher quality auditors prefer to report errors and irregularities, and are not willing to accept questionable accounting practices. As a consequence, a high quality auditor should be able to both objectively or independently evaluate the financial performance of a firm and withstand management pressure that would lead to issuance of either an unqualified or a clean audit opinion (DeZoort et al., 2000). According to above studies, audit quality characteristics of auditor technical competence, auditor independence and auditor responsiveness to client needs are associated with client satisfaction.

2.3.3 Auditor Technical Competence and Client Satisfaction

The International Federation of Accountants (IFAC) Education Committee (2008) defines 'technical competency' as: 'The ability to perform the tasks and roles expected of a professional accountant, both newly qualified and experienced, to the standard expected by employers and

the general public. Richard (2006) further defines technical competence as "an auditor's knowledge and individual know-how, with a technically competent auditor being a qualified auditor with sufficient knowledge, qualification and experience to conduct a financial audit". The recent collapse of Enron and the irregularities found in its accounting statements brought increased scrutiny of the role that auditors play in financial markets (Hakim and Omri, 2008). De Angelo (1988) contends that the concept of competency is defined as the joint probability that the external auditor detects a misstatement in the financial statements, and then reveals it to the users of these statements. He argues that the probability of detection is a matter of competence, whereas the probability of revelation depends on the independence of the auditor, that is, his/her willingness to face the pressure exerted by the producers of financial statements. Oliver (1997) did a research that focused on connecting the internal functioning of service organizations to customer satisfaction. The research found that employees' work experiences directly affect customers' experiences of the service and thereby customer satisfaction. According to De Angelo (1991), the literature on auditor characteristics suggests that auditors provide two valuable roles to capital market participants: one, an information role and, two, an insurance role. He argues that auditors provide independent verification of manager prepared financial statements and can detect and reveal any misstatement in financial statements. As such, technical competence in the form of acquired knowledge and work experiences contributes to the credibility of financial disclosure. Consistent with above statement is Muller and Riedl (2002) findings that auditor technical competence can affect perceived information asymmetry across traders, the firm's share price and thus the firm's liquidity.

Behn et al., (1997) and GAO (2003) in their studies on audit quality and satisfaction found a significant positive relationship between quality of audit provided by experienced auditors and client satisfaction. Behn et al., (1997) further concluded that it isn't enough for the auditors to have sufficient knowledge of accounting and auditing rules and standards but it is also of importance that they be also acknowledged by their clients for performing as expected. The findings were consistent with those of Jenkins and Lowe (1999) who found that the auditors' capability to understand the clients' business and industrial environment significantly influences client perceptions of the audit work performed. They argued that the content and the thoroughness of auditing procedures and the auditors' problem solving ability affect how clients perceive auditors' work. Carcello et al., (1992) noted that the above arguments do also apply

usefully to the external stakeholders and that an auditor's competence in accounting and understanding of the audited entity and its industry are of importance for a proper audit. Their study found a significant positive relationship between high competence and client satisfaction thereby supporting previous research. De Angelo (1991) did a study and came up with similar findings that auditors do succeed in displaying high technical competence, maintaining skepticism, while at the same time establish good working relationships with their clients. The researcher suggested that client satisfaction with quality audit service strongly influenced what the external stakeholders perceived to be useful. The researcher concluded that when clients are satisfied with the audit quality, they may also perceive the same to be as useful to the owners and other external stakeholders, and vice versa.

However, the above studies were inconsistent with Cronin and Taylor (1994) who found that auditor experience is best conceptualized by an audit client as an attitude based on the customer's perceptions of output and performance. Their findings support a different theory that auditor technical competence is an antecedent of customer satisfaction and that customer satisfaction exerts a stronger influence on future purchase intentions. The inconsistency was also confirmed by Lewis and Booms (1993) who argued that satisfaction with audit quality is best determined by the clients of the auditors, as they would give unbiased opinions on what they feel about the audit. The inconsistency was also found in the findings of Bongsu (2004) in her studies on small medium enterprises (SMEs) which focused on audit quality and equated it with customer satisfaction. She found the SMEs were not satisfied with competence dimension. The findings were also inconsistent with Ohman and Hackner (2012) study of 300 listed companies in Sweden who found that auditor technical competence had a weak positive association with client satisfaction. The findings was also inconsistent with Ismail et al., (2006) study that found that the relationship between technical competence and client satisfaction was weak. For the purposes of this research, auditor technical competence was considered a component of overall client satisfaction; however, for many researchers, the direction of causality between auditor technical competence and customer satisfaction is an important unresolved issue (Parasuraman et al., 1998).

2.3.4 Auditor Independence and Client Satisfaction

Richard (2006) defines auditor independence as independence in fact (that is, the mental processes of the auditor giving rise to an attitude of impartiality and objectivity) and independence in appearance (that is, perceptions of independence by users and third parties perceiving the auditor as capable of maintaining impartiality in judgment and resisting pressures from client management). Therefore, finance professionals who perceive auditors to be independent of the client are likely to be satisfied with the overall quality of audit. Carey and Doherty (1986) also defined auditor independence as being honest, integrity, objective, responsible, avoidance of relationship which would impair an auditors objectivity and avoidance of relationships which to a reasonable observer would suggest a conflict of interest. DeAngelo, 1991; Beattie et al., 1999 and Umar and Anandarajan, 2004 further states the concept of usefulness to external stakeholders acknowledges the controlling role of the auditors, regarding both accounting choices and company survival. This requires the auditors to be perceived as acting independently when dealing with their clients. IFAC (2008) went further to identify five threats or risks that can compromise the legitimate independence of auditors: threats resulting from self-interest, self-review, advocacy, familiarity or trust, and intimidation. According to De Angelo (1991), the probability of discovering a breach largely depends on the auditor's technical abilities while the probability of reporting on the errors depend largely on the degree of the auditor's independence. The audit opinion is therefore considered a useful indicator of auditor independence if the auditor is successful to issue an appropriate audit opinion. However, an appropriate audit opinion could sometimes not be appreciated by the management of the company if it does include a qualification. Therefore, the level of audit client satisfaction depends largely on what users perceive of the audit opinion.

Lennox (2005) carried out a study on high-profile corporate collapses in the late 2000s and early 2000s and focused on auditor independence and whether audit quality was impaired, especially in situations when executives were alumni of their companies' audit firms. The results were that in a number of the reported audit failures in the USA, including Cendant, first executive, Pharmor, waste management and Enron, senior management were former employees or partners of their companies' audit firms which showed their independence was impaired. In his study, Carcello et al., (1992) found a significant positive relationship between auditor independence

and client satisfaction. Most of the literature on auditor independence suggests that the credibility of financial statements depends on the perceived independence of the external auditor by the users of the financial statements (Firth, 2000). For instance, Firth (2000) argues that if the auditor is not seen to be independent, users will have less confidence in the financial statements, and the auditor's opinion on the company's financial statements will be of no value. Thus, the credibility of auditors depends not only on facts but also, just as importantly, on the perception of independence. Both actual as well as perceived auditor independence are critical elements in the maintenance of public confidence in the auditing profession (Pany and Reckers, 2000).

Researchers Pany and Reckers (2000) did a research on auditor independence and noted that the post-Enron era witnessed a growing concern with issues of auditor independence and audit service in enhancing client satisfaction. They concluded that mandatory rotation of auditors after a fixed period of tenure was an important way by which auditor independence could be enhanced. This was in agreement with Moizer (2003) study that concluded that the auditing profession and its regulators in different countries had been addressing and responding to claims that such a requirement of auditor independence would help to avoid the type of high profile corporate collapses and cases of audit failure of recent years. The finding was also consistent with the findings of Duff (2009) and Boon and McKinnon (2008) which found the characteristic of auditor independence was an important contributor to client satisfaction.

2.3.5 Auditor Responsiveness to Clients Needs and Client Satisfaction

Auditor responsiveness to clients' needs as an audit quality characteristic is the willingness of the auditors to assist their clients and provide prompt service (Ismail et al., 2006). This entails working with their clients to find better ways to meet their needs. Auditors therefore need to find out and respond to their clients' expectations in order to meet and maximize their clients' satisfaction. Behn et al., (1997) introduced a new proxy for measuring audit quality by examining the attributes of audit quality that will determine client satisfaction. The results of their study was that some of the qualities of audit found to influence clients' satisfaction were responsiveness to clients' need, effectiveness and on-going interaction with the audit committee, industry expertise and the appropriate conduct of audit field work. Accounting today (1994) also carried out a survey study where Controllers and Chief Finance Officers were requested to

assess auditors and their reputation in nine key areas; wide range of skills, good chemistry, understands our business, recognized industry expertise, offer practical advice, capable responsive staff, responds quickly to requests, give real value for their fees and proactive, takes initiative. The results were that Price Waterhouse Coopers (PWC), Arthur Anderson (AA), Ernst and Young and KPMG Peat Marwick were recognized for their excellence in the various attributes. Another study was carried out in 1994 where 310 corporate executives were requested to assess auditors' performance and reputation in the nine key areas previously mentioned. Arthur Anderson emerged the overall winner for the client satisfaction title (Accounting today, 1994). A similar study was carried out in 1996 where chief finance officers were requested to assess auditors' performance in the nine key areas. Ernst and Young edged out Arthur Anderson for the client satisfaction title (Accounting today, 1996). Most of the studies above were carried out in developed countries in the private sector companies. It was not clear whether the results could be generalized to the public sector audits carried out by private auditors and to what extent the results could be generalized. On the contrary, the findings of Ismail et al., (2006) showed that auditor responsiveness to clients' needs was not an important audit characteristic to client satisfaction among 500 public listed companies in Malaysia. The contradictory findings from previous researchers attracted the question of whether auditor responsiveness as an audit characteristic was an important attribute to client satisfaction in the public sector audit environment.

Some of the key areas assessed in the studies may not be applicable in government parastatals in Kenya. For instance, real value for audit fee may be applicable in companies but may not be applicable in government parastatals in Kenya where the audit fee is set by the government parastatal and the private auditor. Carcello et al., (1992) carried out a study on audit quality characteristics by surveying high ranking auditors, preparers and users as a basis for comparing their perceptions of the underlying components of audit quality. Responses from 245 audit partners, 264 fortune 500 controllers and 120 sophisticated users were distilled into 12 salient components using factor analysis. The study concluded that factors perceived to be most important were: audit team and firm experience with client, industry expertise, conduct of audit process, interaction with audit committee, responsiveness to clients' needs and compliance with standards. The GAO (2003) also conducted a study and found the audit characteristics namely; auditors experience with the client, industry expertise, interaction with audit committee,

responsiveness to client's needs and compliance with public sector standards were positively associated with client satisfaction. LI (2002) did a study and came up with a comprehensive list of customer satisfaction dimensions as follows: availability of service, service promptness, courtesy of staff, responsiveness to client needs, understanding of the customer's problems, overall customer service, helpfulness, friendliness, support staff that solves problems quickly, very talented professionals, competence, people that are easy to deal with, ethical, honesty, support staff who give you an excellent service, staff who are interested in your comments and suggestions, phone calls returned quickly, people answering the phone are polite, people answering the phone are cheerful, knowledgeable operators, listening to the customer, attentive to customer complaints, close to its customers and willing to go the extra mile for its customers among others. The above studies showed that auditor responsiveness to client needs is associated with client satisfaction. As a result, the audit quality characteristic of auditor responsiveness to client needs was adapted in this study.

2.4 Conceptual Framework

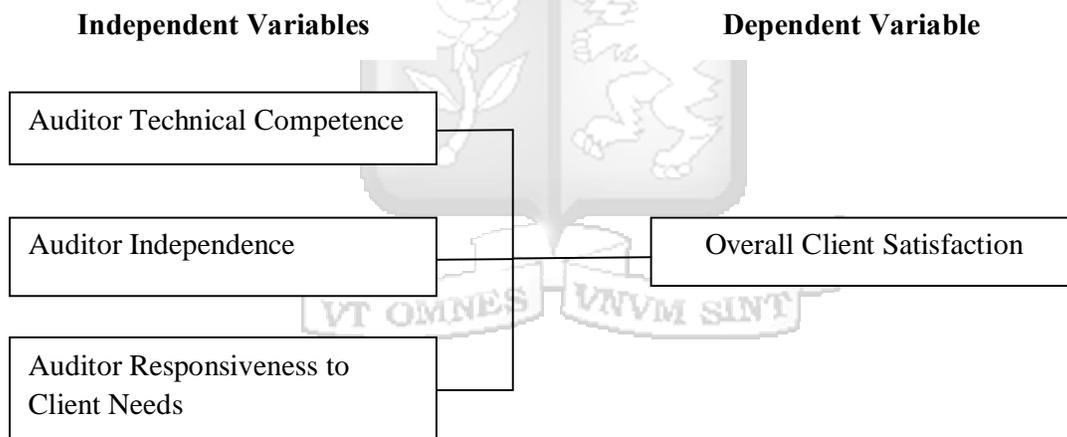


Figure 2.1: Conceptual Framework

2.4.1 Operationalization of variables

In this study, client satisfaction was expressed and measured in terms of: the quality of audit carried out by the private auditors, frequency of communication with the private auditors and the

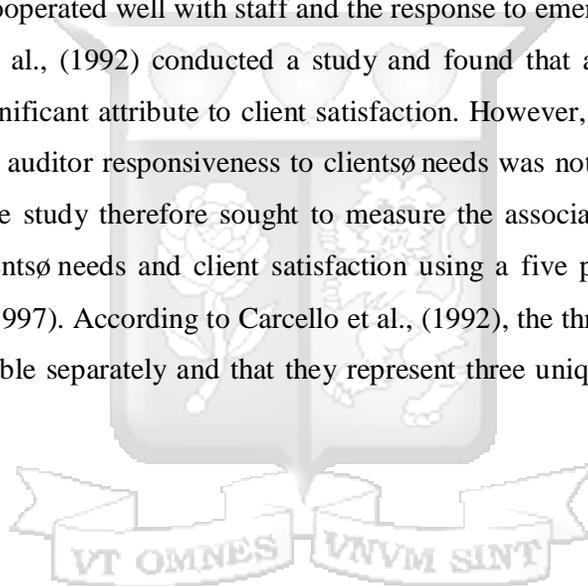
level of co-operation between the private auditors and the government parastatals. The items were measured on a five point scale using Likert scale response format: 1-Very dissatisfied, 2-Dissatisfied, 3-Neither satisfied nor dissatisfied, 4-Satisfied and 5-Very satisfied. The Likert scale is easy to understand and traditionally reliable (Anderson et al., 1983). A scale of four and above was considered as acceptable level of satisfaction. The study further estimated a correlation model using overall client satisfaction with the private auditor as the dependent variable. Behn et al., (1997) also measured overall client satisfaction using a five point Likert scale (from 1-strongly disagree to 5-strongly agree). Ismail et al., (2006) also measured overall client satisfaction using one item that captured overall client's satisfaction on an audit firm and client satisfaction on audit team performance on a five point Likert scale. In this study, overall client satisfaction was measured by satisfaction with overall audit performance, satisfaction with the frequency of communication and satisfaction with the level of cooperation. Overall client satisfaction was therefore measured based on the overall perceived audit quality by the government parastatals on a five point Likert scale response format: 1-Very dissatisfied, 2-Dissatisfied, 3-Neither satisfied nor dissatisfied, 4-Satisfied and 5-Very satisfied.

The independent variables in this study were the auditors' technical competence, auditors' independence and auditors' responsiveness to client needs. Auditor technical competence was defined in the study as the ability to perform the tasks and roles expected of a professional accountant, both newly qualified and experienced, to the standard expected by employers and the general public (IFAC, 2008). Auditor technical competence was measured by whether accurate and reliability audit opinions were issued, whether auditors were conversant with the industry, whether auditors had prior experience, auditors' competency in Public Sector Accounting and Auditing Standards and ethical conduct of audit field work. The study of Behn et al., (1997) found that auditor technical competence had a strong positive relationship with client satisfaction while the study by Ismail et al., (2006) found that the relationship between technical competence and client satisfaction was weak. The characteristic was measured on a five point Likert scale as was used by Behn et al., (1997).

Auditor independence was defined as honesty, integrity, objectivity, responsibility, avoidance of any relationship which would be likely, even subconsciously, to impair the CPA's objectivity as an auditor, avoidance of relationships which to a reasonable observer would suggest a conflict of interest (Carey and Doherty, 1986). Auditor independence was measured by auditors exercising

due care, whether the client had control of the audit process, whether the auditors interacted effectively with the audit committee, whether they engaged in actions that compromised independence, skeptical attitude throughout the audit engagement and active involvement of audit partners. Behn et al., (1997) found a strong positive relationship between auditor independence and client satisfaction. The attribute was measured on a five point Likert scale as was used by Behn et al., (1997).

Auditor responsiveness to clients' needs was defined as the willingness of the auditors to assist their clients and provide them with prompt service (Ismail et al., 2006). Auditor responsiveness to clients' needs was measured by whether the auditor discussed areas of weaknesses with the government parastatals staff, whether auditor offered unsolicited advisory services, whether the auditors related and cooperated well with staff and the response to emerging technical issues and questions. Carcello et al., (1992) conducted a study and found that auditor responsiveness to client needs was a significant attribute to client satisfaction. However, findings by Ismail et al., (2006) concluded that auditor responsiveness to clients' needs was not a significant attribute to client satisfaction. The study therefore sought to measure the association between the auditor responsiveness to clients' needs and client satisfaction using a five point Likert scale as was used by Behn et al., (1997). According to Carcello et al., (1992), the three characteristics used in this study are observable separately and that they represent three unique dimensions of auditor performance.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in conducting the study. It involved a blueprint for the collection, measurement and the analysis of data. In this section, the researcher identified the procedures and the techniques applied in the collection, processing and the analysis of data. Specifically the following subsections are included; research design, whole and target population, data and data collection procedure, data analysis and presentation and ethical considerations.

3.2 Research design

This study employed survey research method to collect primary data. Quantitative method of data analysis was used to analyze values allocated to responses obtained from questionnaires. The survey method involved asking respondents questions on how they felt, what their views were, and what they had experienced (Babbie, 2002). The survey method is useful when a researcher wants to collect data on phenomena that cannot be observed directly. Its advantages are that it allows the collection of large amounts of data from a sizable population in a highly effective, easily and in an economical way, often using questionnaires. The target respondents of the questionnaires were the chief financial officers (or their equivalents) of the government parastatals in Kenya. This is because external auditors liaise with the financial officers during the audit when requesting for information and when addressing audit findings.

3.3 Target Population

The target population of interest were all the ninety four (94) government parastatals in Kenya that existed between July 2010 to June 2013 in the records of the Office of the Auditor General that had their financial statements for the years ended June 2011, June 2012 and June 2013 audited at least once by private auditors. This was because the information sought on audit client satisfaction received by the government parastatals in Kenya was available up to June 2013. In

this study, data was therefore collected from all the government parastatals in Kenya that had their audits done by private auditors in the period between July 2010 to June 2013 for two reasons; first, the government parastatals had their financial statements audited by different private auditors located in different areas of the country. Secondly, the implementation of the Kenya Constitution, (2010) which gave power to the Auditor General to delegate some audits started after its inauguration in August 2010 and the audited financial statements had been concluded up to June 2013.

3.4 Data and Data Collection Procedure

The data collection instrument asked the respondents to score on a five (5) point Likert scale their opinion on audit client satisfaction based on audit client satisfaction characteristics. Primary data was therefore collected using questionnaires sent to all the ninety four (94) government parastatals in Kenya. The target respondents in these government parastatals were the chief finance officers or their equivalents. This was because auditors liaise with chief finance officers or their equivalents during audit. A drop and pick method was used to gather data from the respondents. In situations where the drop and pick method was not practicable, then online based questionnaire was sent to the respondents. The use of drop and pick questionnaires and online questionnaires aided in accessing a large number of government parastatals' chief finance officers or their equivalents quickly, easily and efficiently. A standard questionnaire on evaluation of audit client satisfaction measure was used as developed by Behn et al., (1997). To minimize bias, good literature review was undertaken on the specific words on client satisfaction and helped remove ambiguity to questionnaires presented to respondents.

3.5 Data Analysis and Presentation

Quantitative and qualitative data was sourced from the closed-ended questions and open-ended questions respectively in the questionnaire. The descriptive statistics were used to compute statistical parameters of the mean and standard deviation and presented in form of tables. Spearman's correlation analysis was further used to assess the quantitative monotonic relationships between the audit quality characteristics and client satisfaction perceptions in the government parastatals in Kenya. This was done by pairing data of each audit quality

characteristics with that of client satisfaction perceptions. This was done using SPSS program. Comments from the opinions of the respondents were analyzed using content analysis to draw conclusions and recommendations on other suggestions that would enhance client satisfaction in the government parastatals in Kenya.

3.6 Ethical Considerations

Confidentiality, privacy and anonymity of the respondents was maintained throughout the period of collection and analysis of the data. Objectivity was also maintained during the collection of data. Ethical issues were handled by making the respondents aware of the objectives of the research.



CHAPTER FOUR

DATA FINDINGS, ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The results were presented on the assessment of the relationship between audit quality characteristics of auditor technical competence, auditor independence and auditor responsiveness to client needs and client satisfaction perceptions in the government parastatals in Kenya. The data was gathered exclusively through questionnaires. The questionnaires were designed in line with the specific objectives of the study to collect quantitative and qualitative data. To enhance the quality of quantitative data obtained, Likert type questions were included whereby respondents indicated their opinion to which the audit quality characteristics were practiced on a five point Likert scale. The chapter first discusses the preliminary analyses which include the response rate from the questionnaires and the general information on the respondents as shown by sections 4.2, 4.4 and figures 4.1 and 4.2. Reliability results are discussed in section 4.3 and table 4.1. The study objectives on the relationship between audit quality characteristics and client satisfaction in the government parastatals in Kenya were answered by section 4.5 and tables 4.2, 4.3 and 4.4 while overall client satisfaction was also discussed in section 4.5 and tables 4.5. Other audit quality characteristics that were found to be important by the respondents were discussed in section 4.5 and table 4.7.

4.2 Response Rate

The study targeted a total of 94 respondents out of which 49 responded and returned their questionnaires contributing to 52.13% response rate. This response rate is high given the nature and geographical locations of the government parastatals contacted. This commendable response rate was made a reality after the researcher made calls and visits to remind the respondents to fill-in and return the online questionnaires and also the drop and pick questionnaires.

4.3 Reliability Results

Table 4.1 shows the results of the reliability analysis where the Cronbach's alpha was calculated. The value of the Cronbach's alpha coefficient ranges from zero to one and is used to describe the reliability of factors extracted from questions with two possible answers and/or multi-point formatted questionnaires or scales. A higher value; close to one, shows a more reliable generated scale. According to research, an alpha of 0.70 or greater is generally considered acceptable (Nunnally and Bernstein, 1994). The results below shows that all were greater than 0.7 meaning the responses can be relied on.

Table 4.1: Reliability Results

Variable	Cronbach's Alpha	No of Items
Overall Client Satisfaction	0.7110	3
Auditor Technical Competence	0.7069	5
Auditor Independence	0.8390	6
Auditor Responsiveness to Client Needs	0.7317	4

4.4 Demographic information

4.4.1 Respondents Length of Continuous Service

The study sought to establish how long the respondents had been working in the respective government parastatal to ascertain whether their responses could be relied upon to make conclusions for the study based on experience.

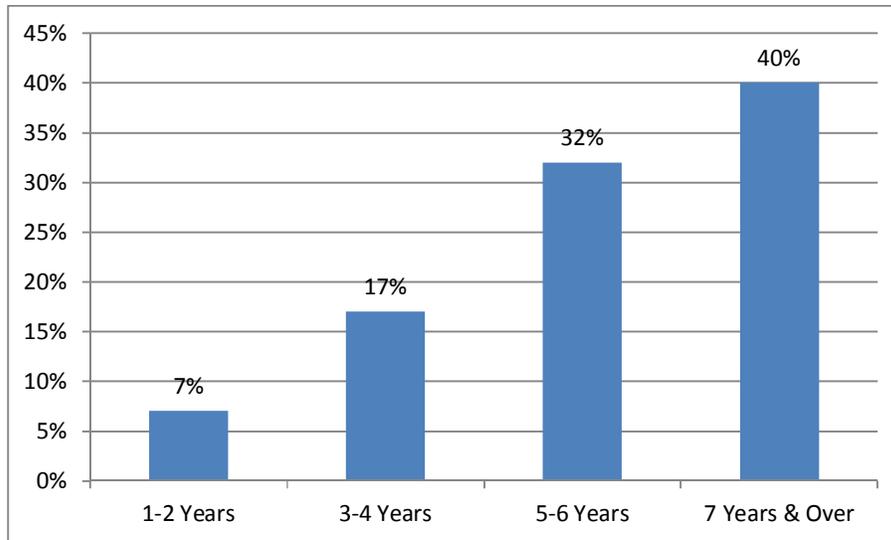


Figure 4.1: Respondents Length of Continuous Service

From the study findings as indicated in Figure 4.1, majority (40%) indicated a period over 7 years, 32% indicated 5-6 years, 17% between 3 to 4 years and a few (7%) indicated a period less than 2 years. From this information, the researcher was able to have confidence in the data collected since most of the respondents (40% and 32%) had been working in the respective government parastatals in Kenya for a period of over 5 years. This shows the respondents were well versed to assess how auditor technical competence, auditor independence and auditor responsiveness to client needs impacts on their satisfaction.

4.4.2 Highest Level of Education

The study further sought to establish the respondents level of education in order to ascertain whether they were well equipped with the necessary knowledge to facilitate the study. From the study findings as shown in Figure 4.2 below, 65% indicated that they hold a Bachelor's degree, 21% indicated that they hold a master's degree, and lastly 14% indicated they hold a diploma.

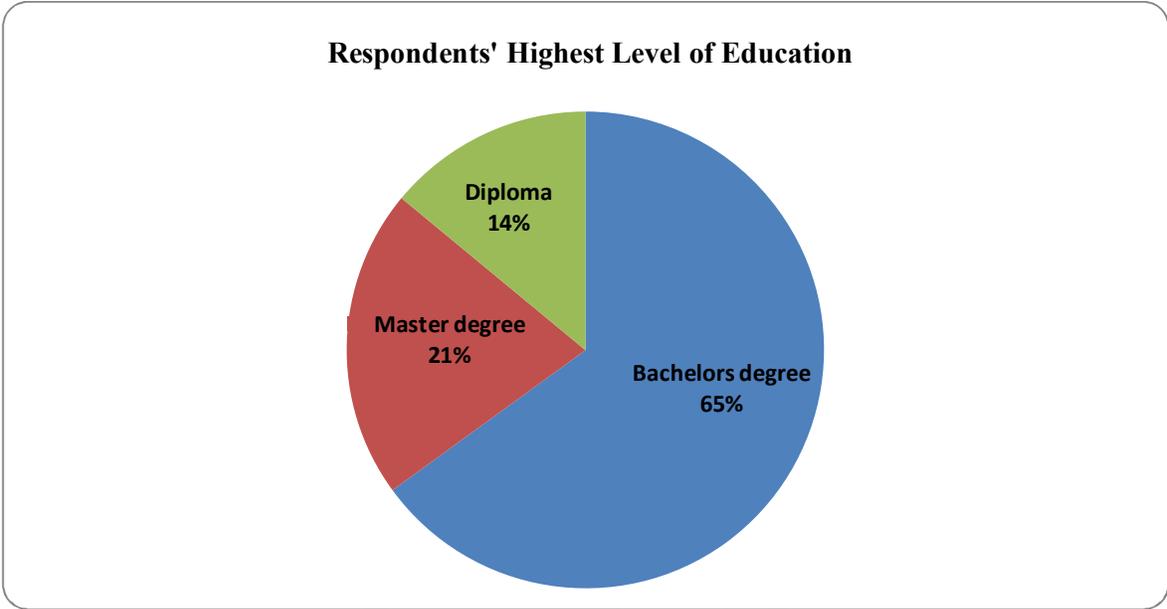


Figure 4.2: Highest Level of Education

These findings clearly show that the respondents were qualified for their job and the researcher also had confidence in the data collected as all the respondents were able to read, and understand the questionnaire and give the most appropriate responses. It was not necessary to find out the professional education of the respondents since all accountants are expected to be professionally qualified.

4.5 Audit Quality Characteristics

4.5.1 Auditor Technical Competence

The study assessed the respondents' opinion on the statements related to auditor technical competence and client satisfaction perceptions in government parastatals in Kenya. The study used a scale of 1 to 5 where 1 was to strongly disagree, 2 was to disagree, 3 was neutral, 4 was to agree and 5 was to strongly agree. The results of the study are shown in Table 4.2.

Table 4.2: Respondents opinion on the statements related to auditor technical competence

Statement	1	2	3	4	5	Mean	Std. Dev.
The auditors had prior experience on the audit of government parastatal (%)	0	4	10	80	6	3.88	0.503
The auditors issued accurate and reliable audit reports (%)	0	0	37	41	22	3.86	0.323
The auditors had technical competence in Public Sector Accounting and Auditing Standards (%)	0	0	39	51	10	3.71	0.375
The auditors conducted the audit field work in an appropriate manner and were of high ethical standards (%)	0	0	37	63	0	3.63	0.445
The auditors were conversant with the industry and had the expertise to effectively audit the government parastatal (%)	0	12	31	39	18	3.63	0.286
Overall technical competence (Average %)	0	4	31	55	10	3.74	0.386

From the study findings as shown in Table 4.2, the respondents expressed their feelings on the private auditors' technical competence in the order of strongly disagree to strongly agree. Auditors' prior experience on the audit of the government parastatal had the highest mean of 3.88 followed by auditors issuing accurate and reliable audit reports with a mean of 3.86. The mean score on overall opinion regarding statements related to auditor technical competence was 3.74 or 75%. The finding showed that 75% or 37 government parastatals were either satisfied or very satisfied with auditors technical competence. The finding also showed a standard deviation of 0.386 which means the responses were clustered around the mean.

Although the mean was below the findings of Behn et al., (1997) who found a mean of 4.02, the finding indicated that the auditor technical competence was an important audit quality characteristic to client satisfaction. This was because majority of clients scored 4 in the scale of competency, meaning that the chief finance officers or their equivalents were of the opinion that 80% ($4/5 \times 100$) of the time, the audit quality characteristic was above average. However, the

finding was inconsistent with Duff (2009) who found that auditor technical competence was an important audit quality characteristic to client satisfaction with a mean of 4.36. The inconsistency in mean findings could possibly be attributed to lack of monitoring of the audit quality provided by private auditors by the Kenya Public Sector Accounting Standards Board. It may be concluded that the standard setting body has not been very active to enforce compliance with set standards. In addition, the inconsistencies may also arise due to the fact that most of the above research findings were mainly carried out in developed countries with listed organizations whereas the present study was done with government parastatals audited by private auditors. Further, other factors such as the respondents' bias may also have contributed to the inconsistency.

4.5.2 Auditor Independence

The study assessed the respondents' opinion on statements related to auditor independence and client satisfaction perceptions in government parastatals in Kenya. The study used a scale of 1 to 5 where 1 was to strongly disagree, 2 was to disagree, 3 was being neutral, 4 was to agree and 5 was to strongly agree. The results of the study are shown in Table 4.3.

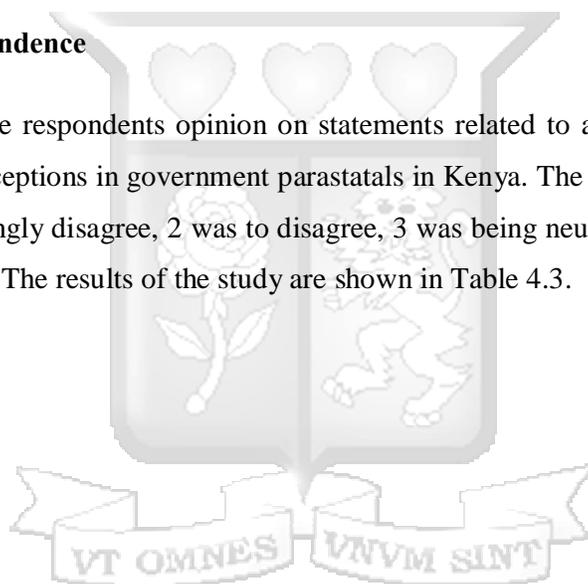


Table 4.3: Respondents' opinion on the statements related to auditor independence

Statement	1	2	3	4	5	Mean	Std. Dev.
The audit partners were actively involved in the audit engagement (%)	0	0	4	8	88	4.84	0.547
The client had control of the audit process (%)	0	0	8	18	74	4.65	0.452
The auditors had a skeptical attitude throughout the audit engagement (%)	0	0	6	29	65	4.59	0.415
The auditors interacted effectively with the audit committee (%)	0	0	12	27	61	4.49	0.385
The auditors exercised due care throughout the audit engagement (%)	0	0	12	63	25	4.12	0.341
The auditors were never engaged in actions that compromised independence (%)	0	0	20	51	29	4.08	0.341
Overall auditor independence (Average %)	0	0	10	33	57	4.46	0.423

From the study findings as shown in Table 4.3, the respondents expressed their feelings on the private auditors' independence in the order of strongly disagree to strongly agree. Active involvement of the audit partners in the audit engagement was ranked high with a mean of 4.84. Client control of the audit process then followed with a mean of 4.65. The mean score on overall opinion regarding statements related to auditor independence was 4.46 or 89% while the standard deviation was 0.423. The finding showed that 44 government parastatals were either satisfied or very satisfied with the auditors independence.

This was consistent with the findings of Behn et al., (1997) study on the determinants of audit client satisfaction among the clients of Big 6 firms in the USA and ranked the audit characteristic of auditor independence as important with a mean of 4.15. The findings were also consistent with Carcello et al., (1992) study on audit quality characteristics; the auditors independence, preparers and financial statement users and ranked the characteristic of auditor independence as important with a mean of 4.336. The finding also showed that 90% of the

respondents agreed that the audit characteristic of auditor independence was important which was above the accepted level of 80% and above.

4.5.3 Auditor Responsiveness to Client Needs

The study assessed the respondents' opinion on statements related to auditor responsiveness to client needs and client satisfaction perceptions in government parastatals in Kenya. The study used a scale of 1 to 5 where 1 was to strongly disagree, 2 was to disagree, 3 was being neutral, 4 was to agree and 5 was to strongly agree. The results of the study are shown in Table 4.4.

Table 4.4: Respondents' opinion on the statements related to responsiveness to client needs

	1	2	3	4	5	Mean	Std. Dev.
The auditors related and cooperated well with the organization staff (%)	0	0	0	39	61	4.61	0.417
The auditor offered unsolicited advisory services and assistance during and after the audit (%)	0	0	12	59	29	4.16	0.383
The auditor discussed areas of weaknesses with the client staff (%)	0	4	8	65	23	4.06	0.412
The client got faster response to emerging technical issues and questions (%)	0	4	14	63	14	3.76	0.395
Overall responsiveness to client needs (Average %)	0	2	8	57	33	4.15	0.402

From the study findings as shown in Table 4.4, the respondents expressed their feelings on the private auditors' responsiveness to their needs in the order of strongly disagree to strongly agree. Auditors relating and cooperating well with the organizations staff, auditors offering advisory and assistance during and after the audit and auditor discussing areas of weaknesses with client staff were ranked high with means of 4.61, 4.16 and 4.06 respectively. The mean score on overall opinion regarding statements related to auditor responsiveness to client needs was 4.15 or 83% while the standard deviation was 0.402. The study showed that 41 government

parastatals were either satisfied or very satisfied with the auditors responsiveness to clients needs.

The finding was consistent with Carcello et al., (1992) who carried out a study on the determinants of audit client satisfaction among clients of Big 6 firms in USA and ranked the characteristic of auditor responsiveness as important with a mean of 4.04. The finding was also consistent with Boon and McKinnon (2008) study of 235 local authorities in South West Wales where results were that auditor responsiveness to client needs was an important audit quality characteristic to client satisfaction with a mean of 4.11. The finding also showed that 90% of the respondents agreed that the audit characteristic of responsiveness to client needs was important which was above the accepted level of 80% and above.

4.5.4 Client Satisfaction

The study sought to establish the opinion of the respondents on the overall client satisfaction with the audit of government parastatals. The study used a scale of 1 to 5 where 1 was very dissatisfied, 2 was dissatisfied, 3 was neutral, 4 was satisfied and 5 was very satisfied. The results of the study are shown in Table 4.5.

Table 4.5: Respondents’ opinion on the statements related to overall audit satisfaction

	1	2	3	4	5	Mean	Std. Dev.
How satisfied are you with the level of co-operation between your organization and your auditor (%)	0	0	4	59	37	4.33	0.404
How satisfied are you with the frequency of communication from your auditor (%)	0	0	8	63	29	4.21	0.407
How satisfied are you with the overall audit performance of your auditor (%)	0	0	22	57	21	3.98	0.368
Overall client satisfaction (Average %)	0	0	12	59	29	4.17	0.393

From the findings as shown in Table 4.5, the respondents expressed their satisfaction with the audits carried out by private auditors. The level of corporation between the government parastatal and the auditor was ranked high with a mean of 4.33. The frequency of communication from the auditor had a mean of 4.21 while satisfaction with the overall audit performance of the auditor had a mean of 3.98. The mean score on overall opinion regarding statements related to overall client satisfaction was 4.17 or 84% while the standard deviation was 0.393.

Findings by Carcello et al., (1992) on measurement of satisfaction using a five point Likert scale established that a mean value of 3 and below indicated that respondents were either dissatisfied or very dissatisfied while a mean value of 4 and above indicated that the respondents were either satisfied or very satisfied. The mean of 4.17 in this study therefore indicated that the respondents were satisfied with the audits carried out by the private auditors. The study also showed that more than 87% were overall satisfied with the audit which is consistent with Boon and McKinnon (2008) study where overall satisfaction with audit quality was measured as the sum of the response scores for the items in the questionnaire which was obtained by adding together the scores for satisfaction with the auditors. The findings were also consistent with GAO (2003) who found that half of the public companies surveyed in USA were satisfied with the quality of audit. The findings were also consistent with Ismail et al., (2006) study on perceptions of Malaysian public listed companies, where the audit process was undertaken by both the big 4 and non-big 4 audit firms. The results were that independence of the auditor and responsiveness to clients' needs influence satisfaction to a great extent.

4.6 Correlation analysis between audit quality characteristics and client satisfaction

To establish the strength and direction of the relationship between the audit quality characteristics and client satisfaction in government parastatals in Kenya, the study utilized the Spearman's rho coefficient. The correlation coefficient ranges in value from -1 to +1. The larger the absolute value of the coefficient, the stronger the relationship between the variables. To describe the strength of the correlation, the following guide was used as proposed by Ohman and Hackner (2012): .00-.19 *very weak*, .20-.39 *weak*, .40-.59 *moderate*, .60-.79 *strong* and .80-1.0 *very strong*.

4.6.1 Spearman's rho Correlation Analysis Results

Table 4.6 below shows the Spearman's rho Correlation analysis results.

Table 4.6: Spearman's rho Correlation analysis results

		Variables		1	2	3
Spearman's rho	1	Auditor Technical Competence	Correlation Coefficient Sig. (2-tailed)			
	2	Auditor Responsiveness to Client Needs	Correlation Coefficient Sig. (2-tailed)	.39 .12		
	3	Auditor Independence	Correlation Coefficient Sig. (2-tailed)	.90(*) .71	.61 .40	
	4	Overall Client Satisfaction	Correlation Coefficient Sig. (2-tailed)	.34 .012	.50 .19	.730 .258

* Correlation is significant at the 0.05 level (2-tailed).

4.6.2 Correlation between audit quality characteristics and client satisfaction

Table 4.7 shows varied degree of interrelationships between the audit quality characteristics and client satisfaction which are positively correlated. The findings are consistent with Behn et al., (1997) and GAO (2003) studies that found that characteristics of audit quality are positively associated with client satisfaction.

4.6.3 Correlation between auditor technical competence and client satisfaction

One objective of the study was to assess whether there was an association between auditor technical competence and client satisfaction in government parastatals in Kenya. Correlation analysis results in table 4.6 indicate auditor technical competence had a weak positive association with client satisfaction in government parastatals in Kenya. The association was significant at 95% confidence level ($r = 0.34$, $sig = 0.01$).

The finding was consistent with Ohman and Hackner (2012) study of 300 listed companies in Sweden who found that auditor technical competence had a weak positive association with client satisfaction. The finding was also consistent with Ismail et al., (2006) study that found that the relationship between auditor technical competence and client satisfaction was weak. However,

the finding contradicted that of Behn et al., (1997) study which found that the association between auditor technical competence and client satisfaction was strong and positive among clients of Big 6 firms in the USA. The finding also contradicted Carcello et al., (1992) study on perceptions of audit partners, preparers and financial statement users that found a positive association between auditor technical competence and client satisfaction. The findings also contradicted Duff (2009) study which found that there was a strong positive association between auditor technical competence and client satisfaction. Also, the findings contradicted that of Boon and McKinnon (2008) who analyzed audit quality attributes that were perceived to be important in 235 local council/authorities in New South Wale and found attribute of auditor technical competence as strongly associated with client satisfaction. The inconsistencies were possibly explained by lack of clear guidelines from the government on the applicability of public sector audit standards and lack of detailed curriculum on the study of public sector financial management courses undertaken by accounting students. In addition, many of the studies were done in developed countries which could mean the auditors were well versed with the public sector audit standards. This also confirms Hellman (2006) and Cameran et al., (2010) dictum that clients may be satisfied with an audit for the wrong reasons and satisfaction may not be in line with the perceptions of what is beneficial to the owners of companies. The study concludes that the association between auditor technical competence and client satisfaction is weak.

4.6.4 Correlation between auditor independence and client satisfaction

Another objective of the study was to assess whether there was an association between auditor independence and client satisfaction in government parastatals in Kenya. Correlation analysis results in table 4.6 indicate auditor independence had a strong positive association with client satisfaction in government parastatals in Kenya. The association was significant at 95% confidence level ($r = 0.73$, $sig = 0.025$). This was consistent with the findings of Behn et al., (1997) study on the determinants of client satisfaction among the clients of Big 6 firms in USA which found that association between auditor independence and client satisfaction was strong and positive. The findings were also consistent with Carcello et al., (1992) study on the perceptions of audit partners, preparers and financial statement users that found a strong positive association between auditor independence and client satisfaction. In addition, the study was also consistent with Duff (2009) study that found a significant positive association between auditor

independence and client satisfaction. The finding was also consistent with Boon and McKinnon (2008) who analyzed audit quality attributes that were perceived to be important in 235 local council/authorities in New South Wales and found attribute of auditor independence as strongly associated with client satisfaction. The finding was also consistent with Ohman and Hackner (2012) study of 300 listed companies in Sweden who found that auditor independence is positively associated with client satisfaction. The study concludes that the association between auditor independence and client satisfaction is very strong.

4.6.5 Correlation between auditor responsiveness to client needs and client satisfaction

Another objective of the study was to assess whether there was an association between auditor responsiveness to client needs and client satisfaction in government parastatals in Kenya. Correlation analysis results in table 4.6 indicate responsiveness to client needs had a moderate positive association with client satisfaction in government parastatals in Kenya. The association was significant at 95% confidence level ($r = 0.50$, $\text{sig} = 0.19$).

The finding was consistent with Behn et al., (1997) study which found that the association between auditor responsiveness to client needs and client satisfaction was strong and positive among clients of Big 6 firms in the USA. The findings were also consistent with Carcello et al., (1992) study on the perceptions of audit partners, preparers and financial statement users that found a positive association between auditor responsiveness to client needs and client satisfaction. The finding was also consistent with Boon and McKinnon (2008) study of 235 local authorities in South West Wales where they concluded that experience with the client and auditor responsiveness to client needs were positively associated with client satisfaction. However, the findings were inconsistent with that of Ismail et al., (2006) on service quality, client satisfaction and loyalty towards audit firms who found that a negative association existed between auditor responsiveness to client needs and client satisfaction among 500 public listed companies in Malaysia. The study concludes that the association between auditor responsiveness to client needs and client satisfaction is strong.

4.6.6 Correlation between auditor technical competence, auditor independence and auditor responsiveness to client needs

On the association between the independent variables, the study found a very strong positive association between auditor independence and auditor technical competence while association between auditor independence and auditor responsiveness to client needs was strong and positive. However, association between auditor responsiveness to clients needs and auditor technical competence was found to be weak. This was consistent with Boon and McKinnon (2008) study which found that auditor responsiveness to client needs is strongly associated with auditor independence. Surprisingly, the study is inconsistent with that of Richard (2006) who surveyed senior executives of French corporations to examine the effect of client satisfaction with audit quality from Carcello et al., (1992) audit quality attributes and hypothesized positive associations between each of the attributes. The results of the study were that auditor technical competence was negatively associated with auditor independence.

4.6.7 Other aspects of client satisfaction in the government parastatals in Kenya

The respondents were asked to suggest other factors that they thought would enhance their satisfaction. Their suggestions were analyzed in the table below:

Table 4.7 Other client suggestions on audit quality characteristics to enhance audit satisfaction of government parastatals in Kenya.

Aspect	Percentage
Auditors need to provide Non Audit Services and Value Added Suggestions	15%
Auditors need training on IPSASs and ISSAIs for uniformity in the sector	14%
Audits need to be carried out directly by the Auditor-General	12%
Auditors to focus more on high risk audit areas	10%
Faster response to technical issues	7%
More use and training of relevant accounting packages	7%
More interim work on planning, coordination and communication	6%
Increased management letter comments on internal control suggestions	4%

The study found that 15% of the respondents suggested that auditors need to provide other non-audit services while 14% of the respondents suggested that auditors need to be trained on IPSASs and ISSAIs for uniformity in the sector. Further, 12% of the respondents suggested that they wanted the audit to be carried out directly by the Auditor-General while 10% of the respondents suggested that the auditors should focus more on high risk areas. Other aspects which the respondents felt could enhance their satisfaction included: auditors speedy response to technical issues, more use and training in the relevant accounting packages, audit fee charged to be a percentage of the surplus made by the government parastatal, more interim work on planning, coordination and communication and increased management letter comments on internal control suggestions.



CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is divided into 5 sections. Summary of findings were presented first followed by conclusions, recommendations, limitations of the study and suggestions for further study.

5.2 Summary of the Findings

5.2.1 Relationship between auditor technical competence and client satisfaction

The study found that there is a weak positive association between auditor technical competence and client satisfaction in government parastatals in Kenya. The study also found a mean of 3.74 which was below the findings of Behn et al., (1997) who found a mean of 4.02. However, the finding indicated that the auditor technical competence was an important audit quality characteristic to client satisfaction. This was because majority of clients scored 4 in the scale of competency, meaning that the chief finance officers or their equivalents were of the opinion that 80% ($4/5 \times 100$) of the time, the audit quality characteristic was above average. However, the finding was inconsistent with Duff (2009) who found that auditor technical competence was an important audit quality characteristic to client satisfaction with a mean of 4.36. The inconsistency in mean findings could possibly be attributed to lack of monitoring of the audit quality provided by private auditors by the Kenya Public Sector Accounting Standards Board. In addition, the inconsistencies may also arise due to the fact that most of the above research findings were mainly carried out in developed countries with listed organizations whereas the present study was done with government parastatals audited by private auditors. Further, other factors such as the respondents' bias may also have contributed to the inconsistency. The study concluded that private auditors may not be fully conversant with the technical issues on public sector accounting standards and the industry/environment and may not have prior experience with the audit of the government parastatal. This was interpreted to mean that the auditor should

try as much as possible to be conversant with the government parastatals operating environment and update themselves on technical accounting standards applicable in the public sector.

5.2.2 Relationship between auditor independence and client satisfaction

The study showed that there was a strong positive association between auditor's independence and client satisfaction. The study was consistent with the findings of Behn et al., (1997) study on the determinants of audit client satisfaction among the clients of Big 6 firms in the USA and ranked the audit characteristic of auditor independence as important with a mean of 4.15. The findings were also consistent with Carcello et al., (1992) study on audit quality characteristics; the auditors independence, preparers and financial statement users and ranked the characteristic of auditor independence as important with a mean of 4.336. The study suggests that the credibility of financial statements depends on the perceived independence of the auditor by the users of the financial statements. The study further suggests that if the auditor is not seen to be independent, users will have less confidence in the financial statements, and the auditor's opinion on the government parastatals financial statements will be of no value. This finding implies that the credibility of auditors depends not only on facts but also, just as importantly, on the perception of independence. Both actual as well as perceived auditor independence are critical elements in the maintenance of public confidence in the auditing profession.

5.2.3 Relationship between auditor responsiveness to clients' needs and client satisfaction

The study established that there is a strong positive association between auditor responsiveness to client needs and client satisfaction. The finding was consistent with Carcello et al., (1992) who carried out a study on the determinants of audit client satisfaction among clients of Big 6 firms in USA and ranked the characteristic of auditor responsiveness to client needs as important with a mean of 4.04. The finding was also consistent with Boon and McKinnon (2008) study of 235 local authorities in South West Wales where results were that auditor responsiveness to client needs was an important audit quality characteristic to client satisfaction with a mean of 4.11. The finding also showed that 90% of the respondents agreed that the audit characteristic of responsiveness to client needs was important which was above the accepted level of 80% and above. The study suggests that auditor responsiveness to client needs would include the

willingness of the auditor to assist their clients and provide prompt service. This would entail working with their clients to find better ways to meet their needs. Auditors therefore need to find out and respond to their clients expectations in order to meet and maximize their clients satisfaction. The findings also suggest that auditor responsiveness to client needs should also include the auditor relating and cooperating well with the government parastatals staff. The finding implies that auditor responsiveness to client needs will influence customer satisfaction.

5.3 Conclusion

The study concludes that government parastatals in Kenya were generally satisfied with the audits carried out by private auditors. The government parastatals in Kenya were specifically satisfied with the audit quality characteristic of auditor independence and auditor responsiveness to clients needs. This was not the case with the audit quality characteristic of auditor technical competence where the study shows the clients were neither satisfied nor were they dissatisfied. The private auditors therefore need to acquire the technical skills required of an auditor responsible for the audit of government parastatals. This would ensure that the auditors are able to carry out the audits as required by the law and where applicability of public standards are paramount. Also, auditors need to provide other non-audit services and provide more value adding suggestions especially on value for money audit. The National Treasury in conjunction with the Auditor General may also hold workshops and seminars to sensitize private auditors and chief finance officers together on the specific requirements expected of the public sector audits. This would increase uniformity of the audit processes undertaken by the private auditors which would be aligned with the law thereby increasing client satisfaction.

5.4 Recommendations

The study recommends that to ensure audit client satisfaction, auditors should re-examine their fundamental technical competencies necessary to be successful as prescribed by the International Education Standards for Professional Accountants (IES), ICPAK and Kenya Public Sector Accounting Standards Board (KPSASB). Regulatory bodies like ICPAK and KPSASB should come up with benchmarks for the preparation and continual development of professional accountants in Kenya. This would include proposing a standard for assessing the professional

competence of accountants and auditors. The standards should specifically prescribe the requirement for a process of assessment of a candidate's professional competence before admission to the accounting profession. This will ensure auditors ability to perform the tasks and roles expected of a professional accountant, both newly qualified and experienced, to the standard expected by employers and the general public. The study also recommends that examination bodies should include public sector accounting studies in their curriculum to ensure students are equipped with the necessary educational requirements before practicing as an accountant. Also the study recommends that to ensure audit client satisfaction, auditor independence should be emphasized in the sense that auditors should be honest, be of high integrity, approach their work with objectivity and assume responsibility. Secondly, in connection with auditing and expression of opinions on financial statements, independence should mean avoidance of any relationship which would be likely, even subconsciously, to impair the CPA's objectivity as an auditor. Third, it would mean the auditor should consider and avoid relationships which to a reasonable observer would suggest a conflict of interest.

5.5 Limitations of the Study

The researcher encountered challenges in securing the government parastatals finance officers time to fill the questionnaires. There were also internet connectivity challenges while sending and returning of the questionnaires. The researcher made use of proper arrangements with the respondents to secure their time by impressing to them on the value of the study.

5.6 Suggestion for Further Study

While this study examined the audit quality characteristics, it also presents rich prospects for several other areas to be researched in future. The present study was only confined to Kenyan government parastatals. It would however be useful to carry out a similar study across East Africa and beyond and see whether the same results would be replicated. Future researchers are also encouraged to examine the relationship of client satisfaction with the controller's educational background and certification status.

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APPENDIX 1: LETTER OF INTRODUCTION

Dear respondent,

RE: REQUEST TO SEEK RESPONSE ON ASSESSMENT OF THE RELATIONSHIP BETWEEN AUDIT QUALITY CHARACTERISTICS AND CLIENT SATISFACTION PERCEPTIONS IN GOVERNMENT PARASTATALS IN KENYA

I am a student at Strathmore University pursuing Master of Commerce Degree.

I am carrying out a research to assess the relationship between audit quality characteristics and client satisfaction perceptions in government parastatals in Kenya from the audits done by private auditors. Strathmore University requires graduates to carry out a research thesis in partial fulfillment of the master of commerce degree program. This study therefore aims at assessing the government parastatals satisfaction from the audit services received from the private auditors.

Kindly read through the questions carefully and answer them. It will be much appreciated if you would complete the questionnaire and respond within the shortest time.

The study will be conducted solely for academic research purposes and the information you give will be treated with strict confidence. The results of the research will not include reference to any individual or organization. You can obtain the findings of this research on request. For further information, please contact the researcher on reubenkam@yahoo.co.uk or on +254 733 876 073.

Kind regards

Reuben Kamuruchi

2). What is your agreement with the following statements; (please tick (ç or ×) in the relevant box). Use a scale of 1 to 5 where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree.

	Auditor technical competence	1	2	3	4	5
i.	The auditors have technical competence in Accounting Standards and Auditing Standards					
ii.	The auditors issue accurate and reliable audit reports					
iii.	The auditors are conversant with the industry and have the expertise to effectively audit the company					
iv.	The auditors have prior experience on the audit of the company					
v.	The auditors conduct the audit field work in an appropriate manner and are of high ethical standards					
	Auditor independence					
i.	The auditors are never engaged in actions that compromise independence					
ii.	The auditors exercise due care throughout the audit engagement					
iii.	The auditors interact effectively with the audit committee					
iv.	The client has control of the audit process					
v.	The auditors have a skeptical attitude throughout the audit engagement					
vi.	The audit partners are actively involved in the audit engagement					
	Auditor Responsiveness to Client Needs					
i.	The auditor discusses areas of weaknesses with the client staff					
ii.	The auditor offers unsolicited advisory services and assistance during and after the audit					
iii.	The auditors relate and cooperate well the organizations staff					
iv.	You get faster response to emerging technical issues and questions					

APPENDIX 3: GOVERNMENT PARASTATALS IN KENYA

- 1 Rural Electrification Scheme
- 2 Chemilil Sugar Company Limited
- 3 National Oil Corporation of Kenya
- 4 Development Bank of Kenya Limited
- 5 IDB Capital Limited
- 6 South Nyanza Sugar Company Limited
- 7 Geothermal Development Company Ltd
- 8 Kenya Electricity Transmission Company Limited
- 9 Kenya Institute for Public Policy Research and Analysis
- 10 Kenya National Assurance (2001) Company Limited
- 11 Kenya Seed Company Limited
- 12 Kenya Wine Agencies Holdings E.A. Limited
- 13 Yatta Vineyards Limited
- 14 Kenya Reinsurance Corporation
- 15 Kenya Wine Agencies Limited
- 16 Agriculture Cooperative & Consultancy
- 17 Agro Chemical & Food Co
- 18 Industrial and Commerce Development Investment Corporation
- 19 Jomo Kenyatta University of Agriculture & Technology Enterprise Services
- 20 Kenya Industrial Property Institute
- 21 Kenya Pipeline Company Limited
- 22 Local Authority Provident Fund
- 23 Nairobi Health Management Board
- 24 National Council for Population and Development
- 25 New Partnership for Africa and Development
- 26 Nursing Council of Kenya
- 27 Post Bank of Kenya Limited
- 28 Retirement Benefits Authority
- 29 University of Nairobi Pensions Scheme
- 30 Vision 2030 Secretariat

- 31 Wildlife Clubs of Kenya
- 32 Kenya Safari Lodges & Hotels
- 33 Kabarnet Hotel
- 34 Golf Hotel
- 35 Mount Elgon Lodge
- 36 Kenyatta International Convention Centre
- 37 Sunset Hotel Limited
- 38 Wote Water and Sewerage Company Limited
- 39 Kahuti Water & Sewerage Company Limited
- 40 Water Services Trust Fund
- 41 Rift valley Water Supply & Sanitation Company Limited
- 42 Malindi Water & Sewerage Company Limited
- 43 Muranga South Water & Sewerage Company Limited
- 44 Gatamathi Water & Sewerage Company Limited
- 45 Western Water Services Company Limited
- 46 Isiolo Water & Sanitation Company Limited
- 47 Mavoko Water & Sewerage Company Limited
- 48 Ol Kejuado Water Company Limited
- 49 Mombasa Municipality Water & Sewerage Company Limited
- 50 Makindu Water & Sewerage Company Limited
- 51 Embe Water & Sanitation Company Limited
- 52 Mombasa Water Supply & Sanitation Company Limited
- 53 Kibwezi - Mtito Andei Water & Sewerage Company Limited
- 54 Nithi Water & Sanitation Company Limited
- 55 Machakos Water & Sewerage Company Limited
- 56 Amatsi Water Company Limited
- 57 Eldama Ravine Water Company Limited
- 58 Gichugu Water Company Limited
- 59 Githunguri Water & Sewerage Company Limited
- 60 Gulf Water Service Company Limited
- 61 Gusii Water & Sewerage Company Limited

- 62 Imetha Water and Sanitation Company Limited
- 63 Kapenguria Water Company Limited
- 64 Karuri Water & Sanitation Company Limited
- 65 Kiambere - Mwingi Water Company Limited
- 66 Kiambu Water & Sewerage Company Limited
- 67 Kikuyu Water Company Limited
- 68 Kilifi Mariakani Water and Sewerage Company Limited
- 69 Kirinyaga Water Company Limited
- 70 Kitui Water & Sanitation Company Limited
- 71 Kwale Water & Sanitation Company Limited
- 72 Kyeni Water and Sewerage Company Limited
- 73 Lamu Water and Sewerage Company Limited
- 74 Limuru water & Sewerage Company Limited
- 75 Lodwar Water and Sanitation Company Limited
- 76 Mandera Water & Sewerage Company Limited
- 77 Maralal Water Company Limited
- 78 Mikutra Water Sanitation Company Limited
- 79 Moyale Water & Sewerage Company Limited
- 80 Nakuru Rural Water & Sanitation Company Limited
- 81 Narok Water & Sanitation Company Limited
- 82 Naromoru Water & Sanitation Company Limited
- 83 Ngagaka Water & Sanitation Company Limited
- 84 Nol Turesh Pipeline Bulk Water Supply Company Limited
- 85 Northern Water Services Board
- 86 Nyandarua Water & Sanitation Company Limited
- 87 Nzoia Water and Sanitation Company Limited
- 88 Ol'Kalou Water & Sanitation Company Limited
- 89 Othaya Mukurweini Water & Sanitation Company Limited
- 90 Tetu Aberdare Water & Sanitation Company Limited
- 91 Thika Water & Sewerage Company Limited
- 92 Tilibei Water & Sanitation Company Limited

- 93 Wote Water & Sewerage Company Limited
- 94 Yatta Water Services Company Limited

