

Factors Influencing Public Sector Auditees on Implementing Audit Recommendations

(Faktor yang Mempengaruhi Auditi dalam Sektor Awam untuk Melaksanakan Syor Audit)

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ABSTRACT

An increase in audit queries and recurring audit issues every year show that the public sector auditees are taking a longer time or are reluctant to take action on audit recommendations. This study examines the relationship between attitudes and six reference groups namely auditors, follow-up audit, accountability index, Auditors General's Dashboard, the Audit Committee and the media, with the intention of auditees to implement the audit recommendations. Data are gathered through a survey of 226 Malaysian public sector auditees who have the responsibility to implement audit recommendations. This study shows that the auditees' attitude, the media, the Audit Committee and the accountability index have influenced the intention of auditees to implement the audit recommendations. However, when the analysis is based on the actual implementation of audit recommendations, by ignoring the element of intention, the study finds slightly different findings. It is found that accountability index, the Audit Committee, Auditors General's Dashboard, auditors and follow-up audit have an influence on the implementation of the audit recommendations. This study supports the Theory of Reasoned Action and introduces accountability index as a factor that influences auditees' intention to implement audit recommendations. Also, this study provides implication to the public sector's authorities of Malaysia in enhancing the role of media, the Audit Committee and accountability index in assisting the public sector to improve service rendered.

Keywords: Audit recommendations; auditor; the rating; dashboard; audit committee; media

ABSTRAK

Teguran audit yang meningkat dan berulang saban tahun dalam sektor awam Malaysia menunjukkan seolah-olah syor penambahbaikan yang diberikan oleh juruaudit, lewat atau tidak diambil tindakan oleh auditi. Kajian ini secara khususnya mengkaji hubungan antara sikap auditi dan enam kumpulan rujukan iaitu juruaudit, audit susulan, indeks akauntabiliti, Auditor General's Dashboard, Jawatankuasa Audit dan media dengan niat auditi untuk melaksanakan syor audit. Data kajian diperolehi menerusi soal selidik kepada 226 auditi iaitu pegawai sektor awam Malaysia yang bertanggungjawab untuk melaksanakan syor audit. Hasil kajian menunjukkan sikap auditi, media, Jawatankuasa Audit dan indeks akauntabiliti mempengaruhi niat auditi untuk melaksanakan syor audit dengan segera. Perbandingan dengan hasil kajian berasaskan kepada pelaksanaan sebenar syor audit dengan mengabaikan elemen niat pula menunjukkan keputusan yang sedikit berbeza iaitu indeks akauntabiliti, Jawatankuasa Audit, Auditor General's Dashboard, juruaudit dan audit susulan mempengaruhi pelaksanaan syor audit. Kajian ini memperkenalkan indeks akauntabiliti sebagai faktor yang mempengaruhi niat auditi untuk melaksanakan syor audit. Hasil kajian ini juga memberi implikasi kepada pihak berkuasa sektor awam Malaysia agar meningkatkan peranan media, Jawatankuasa Audit dan indeks akauntabiliti untuk membantu sektor awam menambahbaik perkhidmatannya.

Kata kunci: Syor audit; juruaudit; penarafan; dashboard; jawatankuasa audit; media

INTRODUCTION

Various weaknesses in the ministries involving mainly financial management have often been featured in the Malaysian press and media shortly after the Auditor General's Report (AGR) being tabled in the Parliament. Negligence and weaknesses revealed by the audit each year raised the question about the extent of the ministries' implementation of audit recommendations (Utusan Malaysia 2015; The Malay Mail 2013). In fact, the recurring audit issues result in a bad image to the Government and the public wants a solution to be made

immediately (New Straits Times 2015; Sinar Harian 2013). Implementation of the audit recommendations by public sector's auditees will result in enhanced accountability, improved operations, cost savings and the way of safeguarding of assets (Aikins 2012; Chowdhury & Kouhy 2005; Steagall 2004). This is because audit recommendations provide valuable methods in bridging the gap between the standards and actual practices at agencies as well as in providing learning information (Steagall 2004; Van Acker et al. 2015). Therefore, The International Standards of Supreme Audit Institutions (ISSAI) has determined that audit recommendations

shall be included in a non-compliance report so that corrective actions can be taken and the shortcomings are not being repeated. However, in the public sector in Malaysia, although AGR have consistently reported similar audit recommendations, the weaknesses are still being repeated and the numbers keep increasing; and there are also recommendations that take up to several years to be implemented (based on the Auditor General's Dashboard). Table 1 shows the numbers of audit issues from year 2012 until 2015. Delays in the implementation of those recommendations have caused them to be re-reported and became recurring issue.

TABLE 1. Numbers of audit issues in Auditor General's Report

| Siri / Year | 2012 | 2013 | 2014 | 2015 |
|----------------|------|-------|-------|-------|
| Siri 1 | 95 | 287 | 313 | 751 |
| Siri 2 | 88 | 455 | 635 | 944 |
| Siri 3 | 73 | 401 | 708 | - |
| Total | 256 | 1,143 | 1,656 | 1,695 |
| Pending issues | 6 | 28 | 147 | 463 |

Source: Auditor General's Dashboard as at 20 July 2017

Delay or failure to implement the recommendations leads to the question about the actual factors that influence auditees' behaviour in implementing the audit recommendations. Although auditees acknowledged that the audit recommendations are credible, accurate, add value and relevant, the recommendations are still not being implemented as there is no requirement of actual commitment from auditees. In this case, the auditors have no power to ensure or force the auditees to adopt new management practices or integrate audit recommendations into their actions (Morin 2014). Based on the Theory of Reasoned Action (TRA), Ajzen and Fishbein (1980) stated that 'intention' is the main cause of actual behaviour. Elements of 'attitudes toward behaviour' and 'subjective norm' (reference group) play an important role in influencing intention. In the public sector's environment in Malaysia that emphasizes on the compliance with rules and achievement of certain performance indicators, the extent to which the behaviour to implement the audit recommendations driven by auditees' attitude and intention itself is still a question. Although the rules have been set, the behavior to comply with the rules still depends on the intention of the civil servant itself. In general, it appears that civil servants perform their tasks based on the rules and have documented all the stated procedures; but the fact is, there may be deviations. This is the reason why there are recurring audit issues reported in AGR such as payment made without supply; unreasonable supply price; payments are made to their own account or company's account they have an interest in. All related documents have been provided by them in accordance with the rules but upon further examination by the auditor, it is found to be fraudulent (Gullkvist & Jokipii 2013). The real intention of civil servants of managing public money is a

matter that needs to be highlighted even if the rules have been set. In the context of the implementation of audit recommendations, there are also recommendations not being classified as mandatory, but are aimed to enhance internal control or improve 3E (economically, efficiently and effectively). The extent of the auditees' willingness to implement depends on the auditee's consideration and intention (Morin 2014). For audit recommendations on regulatory compliance, auditee only takes action on audited samples rather than the entire population (Utusan Malaysia 2015). Their intention is to ensure that the same weaknesses are not reported in the next audit report during the follow-up audit (Morin 2008).

Past evidence suggests that auditees require the auditors, the follow-up audits (Aikins 2012; Morin 2008; Van Acker et al. 2015) and also the support of other parties such as the Audit Committee (AC) (Alzeban & Sawan 2015; Ogoro & Simiyu 2015) and media (Justesen & Skaerbaek 2010; Van Acker et al. 2015) to expedite the actions of implementing audit recommendations. However, the extent of the impact of reference group (auditor, follow-up audit, AC and media) in influencing the Malaysian public sector auditees' to implement audit recommendations is still an issue. Furthermore, the study by Van Acker et al. (2015) proved that the influence of auditors and follow-up audit are mixed; hence, strengthening the importance of this study. In Malaysian public sector, audit rating system (financial management audit based on accountability index-AI) and the Auditor General's (AG's) Dashboard are introduced to assist the auditees in improving organizational performance. AI had been introduced in the Malaysian public sector in 2007 to determine the level of compliance with rules and circulars in financial management. National Audit Department (NAD) will evaluate and give scores for the level of compliance in management, budget, payments, revenue, trust funds and assets. Based on the score, ministries and departments will be given a star rating; and its ranking will be reported in the AGR. For AG's Dashboard (AGD), NAD had introduced the dashboard in 2013 on its website to publicly display and report on the weaknesses of the ministries and departments as a result of performance audits (auditing on performance of ministries or departments for 3E's). The concept of traffic lights is used; red indicates the improvements' action is not being taken by the ministry / department; yellow indicates the action is not yet being taken, while green indicates action has been taken. Are AI and the newly introduced AG's Dashboard in auditing also capable of influencing the auditees' intention to implement the audit recommendations?

In this regard, the first objective of this study is to investigate the relationship between the auditees' attitude towards the implementation of the audit recommendations and the auditees' intention to implement it. Meanwhile, the second objective is to study the relationship between the reference group (auditor, follow-up audit, AI, AG's Dashboard, AC and media) and the auditees' intention to implement audit recommendations. Previous studies on

the implementation of audit recommendations by Aikins (2012), Alzeban and Sawan (2015) and Van Acker et al. (2015) did not investigate the intention to implement the audit recommendations. The studies focused only on the characteristics of the auditor, the follow-up audit, AC and media in influencing the implementation of the audit recommendations from the auditor's perspective. The study of intention (voluntary behaviour) should be examined to determine whether it exists in the Malaysian public sector where most of the auditees' tasks / duties are based on specific rules and procedures. This study also compares the influence of the studied factors with the actual implementation of audit recommendations where the element of intention is set aside. The actual implementation of the audit recommendations is examined as to measure whether there is a different finding when compared with intentions since Malaysian public sector is always subject to rules and regulations (involuntary behaviour).

This study contributes empirical evidence of factors that influence the auditees' intention to implement audit recommendations using Theory of Reasoned Action. The study's findings also contribute empirical evidence from the perspective of auditees. This is because auditees are expected to give more accurate answers and clarifications to the public on the factors that influence their intention. This is because they are the key persons who implement the audit recommendations. The public wants answers and solutions to these audit recurring issues (New Strait Times 2015). In addition, the findings of this study may provide the earliest empirical evidence about the relationship between AI and AG's Dashboard with the intention to implement the recommendation, especially in public sector of Malaysia. The findings of this study provide input to the NAD to emphasis on factors that have an impact on the auditees' intention and to reassess the factors that are important but have no influence on auditees' intention.

The analysis of data from 226 respondents from Federal Ministries throughout the country showed that attitudes, media, AI and AC have a significant and positive relationship with auditees' intention to implement the audit recommendations. Whereas, the findings on which the measurement was made based on the actual implementation of audit recommendations (regardless of the intention's element), showed slightly different results. AI, AC, AG's Dashboard, auditors and follow-up audit had been found to have influences on the implementation of audit recommendations. This article begins with a literature review and hypotheses' development, followed by the methodology and results of the study. It concludes with a discussion of the findings and conclusion of the study.

LITERATURE REVIEW AND HYPOTHESES' DEVELOPMENT

Audit recommendations suggest ways to narrow the gap between auditees' actual practices and the standards or with the aim of efficiency, effectiveness and economics

(Aikins 2012; Roe 2014; Steagall 2004). However, the implementations of the recommendations are often time-consuming (Roe 2014). Although many studies show positive audit findings, few auditees opined that the audit recommendations are not practical because they are difficult to be implemented (Hatherly & Parker 1988). Hence, further studies are needed to determine whether public sector auditees in Malaysia also have the same attitude that audit recommendations can improve efficiency and cost savings in their organizations. This auditees' attitude towards the importance of audit recommendations will encourage them to implement audit recommendations.

In addition to the auditees' attitude to audit recommendations, the implementation of the recommendations is also influenced by the surrounding factors. There are several studies that examined certain factors that influence the implementation of audit recommendations. A study by Van Acker et al. (2015) in the public sector of six (6) European countries examined the influence of auditor, follow-up audit and media on the implementation of audit recommendations. Media pressure influences the implementation of audit recommendations in all six (6) countries, while the auditor and the follow-up audit showed mixed results. Aikins (2012) focused on the characteristics of the auditor, including follow-up audit, and found that professional qualifications and follow-up audit have significant relationships with the implementation of audit recommendations. Meanwhile, Alzeban and Sawan's (2015) study focuses on the characteristics of the AC such as the expertise and frequency of meetings influence the perception of auditees in implementing audit recommendations. Whereas, Armitage (2011) stated that some ACs are not functioning as monitoring mechanism. In conclusion, the factors influencing auditees in implementing audit recommendations are auditor, follow-up audit, media and AC. However, the extent to which this factor can influence auditees to implement audit recommendations in the context of the public sector in Malaysia has yet to be proven. In addition, is whether the AI and AGD introduced by the Malaysian public sector are able to influence the implementation of audit recommendations? Past studies found that rating and ranking have mixed results; whereby rating is a good tool to assess performance but becomes a punishment to the employee (Bowen 1995; De Langhe, Fernbach & Lichtenstein 2014; Furnham 2002; Wiley 2003). Additionally, a dashboard is the latest online monitoring mechanism for managers (Ballou, Heitger & Donnel 2010; Cleverly & Cleverly 2005). Further studies are needed to determine whether these six (6) factors influence Malaysian public sector auditees to implement the audit recommendations.

Based on the Theory of Reasoned Action, successful implementation of audit recommendations is expected to be influenced by the auditees' intention to implement them. Therefore, this study takes into account the auditees' attitude towards the implementation of audit recommendations and the influence of the six (6) reference

groups / subjective norms (the most important parties in the auditees' working environment); which had been identified by past researchers in determining factors that influence the auditees to implement audit recommendations.

ATTITUDE TOWARDS AUDIT RECOMMENDATIONS

Theory of Reasoned Action states that attitude is a function of one's beliefs. If a person believes that by performing certain behaviour will lead to very profitable results, this attitude will encourage him to perform that behaviour, and vice versa (Ajzen 1991). Past researchers measured a person's attitude based on his belief in the importance and usefulness of the behaviour (Buchan 2005; Dahlin 2000; Uddin 2000). Similarly, in the implementation of audit recommendations, if auditees believe that the audit recommendation will improve their performance, save public money and improve public services (Aikins 2012; Steagall 2004; Van Acker et al. 2015) then they will tend to implement it. This is because, in overcoming the organization's weaknesses or to achieve organization's goals, audit recommendation determines the required actions, the responsible officers, the term of implementation and the monitoring action (Aikins 2011; Roe 2014).

When the attitude, which is formed as a result of the auditees' confidence, towards the positive impact of implementing the audit recommendations increased, the intention to implement the recommendation will also increase. The positive impact such as improving Government activities and increasing the auditees' skill will portray a good image of the organization to the public. Additionally, it will indirectly provide the auditee with a satisfaction in view that his efforts have inspired others. In accordance with the TRA and the evidence from past studies, the relationship between attitude and intention to implement audit recommendation is proposed as follows:

H₁ There is a positive relationship between the auditees' attitude towards the implementation of the audit recommendations and the auditees' intention to implement it.

SUBJECTIVE NORM / GROUP OF REFERENCE

Subjective norm is the second important element of the TRA. Individual interaction with the reference group in its environment will directly transfer the norms held by the reference group. Individuals consider performing their actions based on the importance of the perception of others either in the form of approval, opinion, support or advice. Sociological studies have found factors such as family members, friends, employers and the media as among the major influences on the development of individual behaviour (Bidin 2008). From the auditing aspect, the evidence shows that auditors, AC and the media as among the factors that influence auditees in implementing audit recommendations (Aikins 2012; Alzeban & Sawan

2015; Van Acker et al. 2015). In addition, audit activities such as a follow-up audit, AI and AG's Dashboard are also elements used in the public sector in Malaysia to monitor the implementation of audit recommendations. However, the extent to which the auditees' perception on auditor, follow-up audit, AI, AG's Dashboard, AC and media as a reference group that influences their intention to implement the audit recommendations is limited and has not been consistently proven.

Credibility and Quality of Auditor The credibility and reliability of the auditors is one of the important factors in auditing (Hatherly & Parker 1988). Quality auditor should be able to produce quality recommendations. When auditee questioned the credibility of the auditor, the recommendation given by the auditors may be rejected or there may be a delay in implementation as it is considered less important. Thus, experience and skills can help auditors to better understand the organization and provide quality recommendations. The involvement of senior auditor in the auditing is also important in providing value added recommendations. In addition, auditors who are responsive to the auditees' needs and provide room for discussion will influence the auditees to implement the audit recommendations (Aikins 2012; Butcher, Harrison & Ross 2013; Lowensohn et al. 2007).

In accordance with the TRA, auditees' satisfaction with the quality of an auditor's work can create auditees' confidence on the recommendations given; and thus, influence the auditees' intention to implement them. Auditors, who have the skill, provide guidance and create a room for discussion will inspire auditees to take action as recommended. Auditees being confident that auditor is the reference group that provides advice and support will strengthen their intention to implement the audit recommendations; moreover, the support is provided by credible and quality auditors. Auditees also believe that the auditor will perform the same behaviour if he is in a similar situation. As such, we predict the relationship between the credibility of the auditor and the auditees' intention to implement the audit recommendations as follows:

H_{2a} There is a positive relationship between credibility and quality of auditors and the auditees' intention to implement audit recommendations.

Follow-up Audit Through follow-up audit, the previously raised audit recommendations are verified whether they have been acted upon. By knowing that the auditor will conduct a follow-up audit, the auditees are motivated to implement the audit recommendation (Aikins 2012; Burton et al. 2012; Edwards-Faulk 2012; Morin 2001, 2008). Furthermore, the auditees may feel uncomfortable with a follow-up audit; which suggests the auditors' skepticism towards the auditees' ability to implement the recommendation. Follow-up audit also adds workload to the auditees since they have to refer to the previous year's documents (Van Acker et al. 2015).

Although previous findings showed mixed evidence, we predict that a follow-up audit may influence the auditees' intention to implement audit recommendations as auditees do not want the auditor to report similar issues (Morin 2008). If the auditees believe that a follow-up audit is the reference group, then it will be a motivating factor for them to implement the audit recommendations. Furthermore, audit recommendations which have not been implemented will be reported again in the current year audit report, affecting the image and reputation of the agency. Therefore, it reinforces the auditees' intention to implement the recommendation. The more effective the follow-up audit, the higher the likelihood of auditees to implement audit recommendations. In accordance with TRA and past evidence, hypothesis H_{2b} is proposed as below:

H_{2b} There is a positive relationship between effectiveness of follow-up audit and the auditees' intention to implement audit recommendations.

The Audit Rating System (Accountability Index) The rating system has been used by various parties as a method of assessing the performance of individual, organization or product (De Langhe et al. 2014; Furnham 2002). Abdul Razak, Ghani and Zainal Abidin (2010) and Abu Bakar and Ismail (2011) stated that from the audit rating system/AI, the auditees can assess their own performance, identify weaknesses and take corrective action in accordance with the audit recommendations. The annual reporting of performances of the ministries being audited in the AI has motivated the auditees to implement the audit recommendations. This will reflect a good image of auditees to the public. However, there are studies that suggest otherwise; whereby rating and ranking system for employee performance resulted in loss of employees' morale if they are considered as underperformers and in turn affects the performance of the organization (Bowen 1995; Wiley 2003).

Although the initial results of the rating system are mixed, the TRA suggests that it may influence the auditees to implement the audit recommendations. In the context of public sector auditing in Malaysia, AI is expected to motivate the auditees to implement audit recommendations as to ensure that the rating and the ranking of the auditees' ministries improved. If auditees are confident that AI is a reference factor in monitoring compliance with government regulations and comparing the performance of one ministry with other ministries, their intention to implement the audit recommendations will also increase. Furthermore, compliance scores and ratings can be scrutinized by the public. Therefore, the more weaknesses being reported, the higher the auditees' intention to implement the audit recommendations. This is because it is believed that when the score and rating increase; and its progress is reported in AGR the following year, which will re-draw publics' attention, there will be a positive effect and good image to the auditees. In accordance with the TRA, the hypothesis H_{2c} is formed as follows:

H_{2c} There is a positive relationship between accountability index score and the auditees' intention to implement audit recommendations.

Auditor General's Dashboard Reporting through dashboard is widely used because it allows managers or individuals to monitor and obtain information in real time (Ballou et al. 2010; Cleverly & Cleverly 2005). The dashboard also reports information such as levels of satisfaction, comments or suggestions and promotes an organization. It also serves as a tool for operational planning; procurement of new equipment; recruitment of new staff; receiving consistent feedback on any incidents and also training of various disciplines (Guha, Hoo & Bottomley 2013). AG's Dashboard is a monitoring mechanism introduced in the Malaysian public sector's auditing. It is publicly available and displays the latest status of audit issues related to activities at the auditees' agencies.

Although studies on the AG's Dashboard system have never been done before, the system is expected to help a ministry to monitor the pending audit issues and to increase auditees' intention to implement the audit recommendations in order to give a good overview of the ministry's performance. If the auditees are confident that the AG's Dashboard is a resource that can guide them at all times to monitor the pending recommendations and the issue can be viewed by the public, then these will reinforce the auditees' intention to take action. Moreover, the auditees believe that their superiors will have an easy access in monitoring their progress on the improvements' actions, hence, influencing the auditees' intention to take immediate action. Therefore, the more information being displayed, i.e. pending audit recommendations, on AG's Dashboard that affects an agency's reputation, the higher the intention to implement the audit recommendations. Given the limited empirical evidence, based on the TRA we develop hypothesis H_{2d} as follows:

H_{2d} There is a positive relationship between Auditor General's Dashboard coverage and the auditees' intention to implement audit recommendations.

Ministry's Audit Committee Monitoring by the AC, which comprises of higher ranking officers in the ministries, is a mechanism that helps the auditees to monitor the audit issue seriously. AC that communicates regularly and determine the type of action, term of action and the officer in charge could improve the agency's internal control, financial reporting and customer satisfaction (Alzeban & Sawan 2015; Ogoro & Simiyu 2015; Treasury of Malaysia 2013). However, Armitage (2011) stated that there is AC in public sector which acts as a receiver of AGR without taking appropriate action.

When auditees are confident that AC will monitor them regularly, it influences the auditees' intention to implement the audit recommendations. An effective discussion will increase the auditees' intention to implement the audit recommendations in order to show to AC that the auditees have implemented their obligations. Auditees also believe

that the AC's support does not only motivate the auditees to implement the audit recommendations in order to enhance organizational performance; but also shows the effectiveness of the AC. Auditees are also confident that the AC will do the same if they are in a similar situation. In the Malaysian public sector, AC from each ministry is required to submit minutes of AC meetings to the central agency (Ministry of Finance) quarterly. This reporting will indirectly encourage the auditee to take corrective and preventive actions in order to avoid receiving a reminder letter from the central agency. Generally, the effectiveness of the AC in other contexts, including in corporate management, has often been proven. However, empirical evidence in the context of public sector is still limited. Based on the TRA, hypothesis H_{2e} is formed as follows:

H_{2e} There is a positive relationship between the Audit Committee effectiveness and the auditees' intention to implement audit recommendations.

Media Mass media influences the public in cases where there are compliance issues with the regulations set by the authorities and this could cause the fall of individuals (Dowding & Lewis 2012; Kasper, Kogler & Kirchler 2015). Media can also influence the auditee to establish better agency (Justesen & Skaerbaek 2010; Morin 2008). Media coverage on audit reports puts pressure on auditees to expedite the implementation of audit recommendations. This is because the media's reports are focused on the wastage, fraud and inefficiency, which certainly will be main concern to the public.

Through the media, the auditees can find weaknesses in the public sector which are of public interest, and directly pressure them to immediately overcome the bad reputation of the agency. Media is also a common medium used to criticize and question the credibility of the auditees in implementing audit recommendations. The more negative issues featured by the media, the greater the tendencies of auditees to implement the audit recommendations in order to improve their image. Auditees also believed that the media publishes the audit issue to help auditees to reduce shortcomings in the agency. Auditees are confident that the media will also take the same action if they are in similar situation as auditees. In the Malaysian public sector, the Public Service Department will hold a dialogue session (townhall) between media and all ministries' secretary-generals after the AGR is tabled in Parliament. This session will allow the media to highlight any issues raised in the AGR and the relevant secretary-general should respond to it. As a preparation, the secretary-general needs to know the status of the action taken by the auditee in advance. This mechanism will indirectly influence the auditee's intention to take immediate action as preparation before the session is held. Based on the above discussion and consistent with TRA, we formed the hypothesis H_{2f} as follows:

H_{2f} There is a positive relationship between the media and the auditees' intention to implement audit recommendations.

RESEARCH METHOD

A questionnaire in the form of closed-ended questions was used so that each item can be analysed efficiently (Bryman & Bell 2007). The questionnaire consists of four (4) sections. Section A contains questions regarding respondents' demographic. Meanwhile, to obtain the views of respondents on their attitudes and intentions, Section B describes vignette and audit recommendation. Section C contains questions about respondents' perceptions of six (6) reference groups that are expected to influence the implementation of the recommendation. Section D contains questions about the actual implementation of audit recommendations at the respondent's office. The actual implementation is measured as to determine whether the finding is consistent or otherwise if the element of intention is ignored. This is because there was a previous study in the environment of compliance to rules and regulations that examined the attitude and individual environment without considering the element of intention (Saad, Idris & Bidin 2009).

Respondents were selected among auditees being audited every year and responsible for implementing the audit recommendations. It involved 25 Federal Ministries, seven (7) Headquarters Departments (Police, Customs, Road Transport, Immigration, Public Service, Anti-Corruption Commission and Modernisation & Management Planning Unit) and all the state police and customs. One respondent was determined for each division, i.e. from the Accounts, Finance, Procurement, Development and Assets.

A pilot study involving four (4) lecturers and ten (10) auditees had been conducted. Based on responses received, some items had been modified. A total of 305 questionnaires were distributed by mail and by hand. A total of 229 questionnaires (75.1%) were returned. Highest response was from the headquarters' department with 91.4% (32 out of 35 samples), followed by ministry with 81.6% (102 out of 125 samples), the Police at 67.1% (47 out of 70 samples) and Customs at 64% (48 out of 75 samples). Therefore, these respondents represent every level and can be generalized to the entire auditees in Malaysian public sector. All responses were reviewed to determine the usability of data and three (3) questionnaires were rejected because respondents were not audited every year; hence, bringing the total number of responses that can be analysed to 226.

Measurement of Variables Vignette is widely used in the domain of public sector auditing when it is related to ethical behaviour (Cavanagh & Fritzsche 1985). The purpose of vignette based on AGR 2014 used in this study is to measure the dependent variable's intention and the independent variables' attitudes. Measurement of other independent variables was done by using the Five point Likert Scale (Value 1 Strongly Disagree and Value 5 Strongly Agree). Five point Likert Scale was also used in the actual implementation of the audit recommendations

(dependent variable where element of intention was ignored). This scale can minimize respondents' response time (Knight & Cavusgil 2004) and is widely used (Zainol & Wan Daud 2011). A summary of the items used is shown in Appendix 1.

Validity of Data Factor analysis was conducted to determine the validity of the data, i.e. whether the questionnaire's items are in the correct construct variables. If the item shows load factor of less than 0.4, cross-loading between the components greater than 0.4 and less than 0.3 of communalities value, then the item should be removed; and factor analysis should be repeated until the established criteria are met (Hair, Black & Babin 2010). For the avoidance of response that is inconsistent with other items, four (4) items of media variables were re-coded in view that the questions were negative (Pallant 2007). Results showed that auditors, AI, AG's Dashboard, AC, media and the actual implementation of the audit recommendations complied with the assumption. For follow-up audit variables, one of the four (4) items had been removed for being in other components. Factor analysis was not conducted on variable attitudes and intentions which contained only one item. Cronbach Alpha test was conducted to check the consistency of the items that make up the variable (Coakes, Steed & Price 2008; Smith 2011). Alpha value should exceed 0.70 to determine reliability (Nunnally & Bernstein 1994) and the results of the analysis indicated that all variables were above 0.7. The loading factor and Cronbach Alpha for all variables are shown in Table 2.

Data normality test was conducted to reduce the risk of errors in regression analysis. Kolmogorov-Smirnov and Shapiro-Wilk tests assume the data are normal if the significance value is above 0.05 (Pallant 2007). Significance value for each variable of this study was 0.000 which is less than 0.05; however, the central limit theorem assumes that data are normally distributed if the sample exceeds 30 (Field 2009). Data for this study were normally distributed with 226 samples, representing more than 30 samples. Furthermore, as shown in Table 3, the mean value and 5 per cent trimmed mean of the study had

a difference of less than 0.2 and in accordance with Pallant (2007), indicating the normality of the data because they have a strong influence on the mean.

Pearson correlation analysis was conducted to ensure there is no high relationship (above 0.9) between the independent variables, which suggests the possibility of multi-collinearity (Field 2009; Pallant 2007). With the highest correlation value of only 0.674; all the variables are expected to be free from multi-collinearity. Multiple regression analysis model of this study is as follows:

$$\text{INT} = \beta_0 + \beta_1 \text{ATT} + \beta_2 \text{AUD} + \beta_3 \text{FA} + \beta_4 \text{AI} + \beta_5 \text{AG} + \beta_6 \text{AC} + \beta_7 \text{MED} + \text{error} \quad (1)$$

Where:

- INT : auditees' intention to implement audit recommendations
 ATT : attitude on audit recommendation
 AUD : auditor's credibility and quality
 FA : effectiveness of follow-up audit
 AI : accountability index score (audit rating system)
 AG : Auditor General's Dashboard coverage
 AC : Audit Committee effectiveness
 MED : media

RESEARCH FINDING

DESCRIPTIVE ANALYSIS

Descriptive analysis is reported in Table 3. Attitudes towards the importance of implementing the audit recommendations had the highest mean value of 4.12. This shows that the respondents strongly agree with the recommendation given by the auditor, which can be cost effective if implemented. For items under subjective norms, AI had the highest mean score of 3.918, followed by the auditors (3.917), a follow-up audit (3.827), AC (3.737) and AG's Dashboard (3.720). However, respondents were neutral about the role of media as shown by the mean value of 2.900. For the dependent variable, the intention (the determination) of the respondents to implement the audit recommendations was at 66.7% in which the respondents had the intention but not very strong. Based on the responses, only 35 of the 226 respondents (15.5%) intended to implement the audit recommendation in less than a month. Most respondents intended to implement the audit recommendation in one to six (6) months with 116 respondents (51.3%); and followed by seven (7) to 12 months with 47 respondents (20.8%). A total of 21 respondents (9.3%) would like to implement after 12 months. However, seven (7) respondents (3.1%) have no intention of implementing it. Meanwhile, the mean value for the actual implementation of the audit recommendations was 3.819, indicating that most of the audit recommendations had been implemented by the respondents. The average number of respondents that documented the action plan was 3.680, implemented all the recommendations was 3.910

TABLE 2. Factor loading and cronbach alpha

| Variable | No. of Item | Value of Factor Loading | Value of Cronbach Alpha |
|---|-------------|-------------------------|-------------------------|
| Actual Implementation of Audit Recommendation | 3 | 0.693-0.898 | 0.769 |
| Auditor | 5 | 0.785-0.855 | 0.874 |
| Follow-up Audit | 3 | 0.722-0.911 | 0.795 |
| Accountability Index | 4 | 0.679-0.807 | 0.710 |
| Auditor General's Dashboard | 3 | 0.906-0.920 | 0.902 |
| Audit Committee | 7 | 0.748-0.886 | 0.930 |
| Media | 4 | 0.728-0.901 | 0.832 |

and implemented the recommendations according to the agreed period was 3.870.

Based on the respondents' comments, although the audit recommendation is important, it cannot be implemented immediately. This is because it involves the allocation of additional fund and staff. In addition, it also involves the approval of higher management. This situation could cause the auditees to delay or reluctant to implement the audit recommendations, which led to the recurring audit issues.

TABLE 3. Descriptive analysis, mean value and 5% trimmed mean

| Variable | Mean | 5% Trimmed Mean | Difference |
|--|-------|-----------------------|------------|
| Attitude | 4.120 | 4.190 | 0.070 |
| Auditor | 3.917 | 3.931 | 0.014 |
| Follow-up Audit | 3.827 | 3.843 | 0.016 |
| Accountability Index | 3.918 | 3.916 | 0.002 |
| AG's Dashboard | 3.720 | 3.703 | 0.017 |
| Audit Committee | 3.737 | 3.725 | 0.012 |
| Media | 2.900 | 2.885 | 0.015 |
| Intention (Percentage) | 66.70 | 68.03 | 0.020 |
| Actual Implementation of Audit Recommendation | 3.819 | 3.809 | 0.010 |

HYPOTHESES TESTING AND DISCUSSION

The results of multiple regression analysis are shown in Table 4. The analysis indicated that the adjusted R-squared was significant ($p = 0.000$) of 0.200 where independent variables in the model successfully explained the 20.0% change in the intention to implement audit

recommendations. This low R-squared value is consistent with some previous studies that used the same model to test its effect on one's intentions to carry out behaviour. For example, a previous study by Barnes (2014) on the influence of consumer information confidentiality in determining the intent of using the electronic payment system found that the R-squared value was low at only 0.117. Similarly, the model used by Gotch and Hall (2004) on the intention of children to learn nature had R-squared value of only 0.240. Meanwhile, adjusted R-squared based on the actual implementation of audit recommendations (to the exclusion of the element of intention) was 0.509 at the level of significance of $p = 0.000$. A previous study by Saad et al. (2009) showed a lower value of adjusted R-squared of 0.36 in the context of business zakat. This indicates that the independent variables explained 50.9% of change in the actual implementation of audit recommendations, namely 30.9% stronger than the first model. This condition may be caused by the emphasis on compliance to the Government's rules and regulations in most audit recommendations in the public sector of Malaysia. This results in the implementation of audit recommendations to be more of an obligation rather than voluntary.

Relationship between Attitude and Implementation of Audit Recommendations Panel A, Table 4 shows that there is a positive and significant relationship between auditees' attitude and intention to implement the recommendation. The coefficient $\beta_1 = 0.220$ ($p = 0.001$) is positive and significant. This finding supports hypothesis H_1 ; indicating that the better the attitude of the auditee towards the effectiveness of audit recommendations, the higher the intention to implement it. This is in line with the Theory of Reasoned Action and previous studies of Buttle and Bok (1996), Gotch and Hall (2004) and Uddin (2000).

TABLE 4. Results of multiple regression analysis

| Variable | Panel A: Intention | | | Panel B: Actual Implementation | | |
|-----------------------|----------------------------|-----------------------------------|---------------|--------------------------------|-----------------------------------|---------------|
| | Coefficient (β) | Significant Value (p-value) | Hypothesis | Coefficient (β) | Significant Value (p-value) | Hypothesis |
| Constant | | 0.673 | | | 0.009 | |
| Attitude | 0.220*** | 0.001 | Supported | 0.026 | 0.623 | Not Supported |
| Subjective Norms: | | | | | | |
| Auditor | 0.044 | 0.619 | Not Supported | 0.162** | 0.022 | Supported |
| Follow-up Audit | 0.018 | 0.831 | Not Supported | 0.113* | 0.089 | Supported |
| Accountability Index | 0.135* | 0.096 | Supported | 0.209*** | 0.001 | Supported |
| AG's Dashboard | 0.000 | 0.999 | Not Supported | 0.175*** | 0.008 | Supported |
| Audit Committee | 0.161* | 0.075 | Supported | 0.218*** | 0.002 | Supported |
| Media | 0.130** | 0.036 | Supported | 0.068 | 0.159 | Not Supported |
| Sample | 226 | | | 226 | | |
| R-squared | 0.225 | | | 0.524 | | |
| Adjusted R-squared | 0.200 | | | 0.509 | | |
| f-statistic (p-value) | 9.052 (0.000) *** | | | 34.338 (0.000) *** | | |
| df | 7 | | | 7 | | |

Notes: *** Significant level at 0.01

** Significant level at 0.05

* Significant level at 0.10

Panel B of Table 4 shows that the attitude of the auditee is positive, but not significant. The different findings may be due to several factors. Firstly, the intention in the first test is based on the auditees' determination to implement recommendations if the audit recommendations are raised in their agencies. However, in actual situations, perhaps that recommendation has not been raised at the auditee's office. Secondly, the actual implementation may be influenced more by the need for compliance (involuntary), especially in the government sector in which the auditee's choice is limited.

Relationship between Subjective Norms / Reference Group and Implementation of Audit Recommendations Panel A, Table 4 also shows a significant positive relationship between AI, AC and media with auditees' intention to implement the audit recommendations. This can be explained by coefficients $\beta_4 = 0.135$ ($p = 0.096$), $\beta_6 = 0.161$ ($p = 0.075$) and $\beta_7 = 0.130$ ($p = 0.036$) at significance levels $p < 0.1$ (AI and AC) and $p < 0.05$ (media). These findings support hypotheses H_{2c} , H_{2e} and H_{2f} ; showing that supports from AI, AC and media influence the intention of auditees to implement the audit recommendations. The empirical evidence also supports previous findings about the importance of AI, AC and media. The media can put pressure on auditees since they always sensationalize the audit issues which indirectly portray the bad image of auditees' agency. This also will draw public attention and to overcome that, auditees will implement the audit recommendations (Justesen & Skaerbaek 2010; Morin 2008). For AI; evaluation through rating and ranking will encourage the auditees to do better in improving their performance (De Langhe et al. 2014; Furnham 2002). Meanwhile, the AC will closely monitor the implementation of the organization's improvement by the auditees (Alzeban & Sawan 2015; Ogoro & Simiyu 2015).

Nonetheless, the analyses find those variables, i.e. credibility and quality auditors, follow-up audit and AG's Dashboard, to be insignificant and even have a positive relationship. These findings do not support the hypotheses H_{2a} , H_{2b} and H_{2d} . These findings are partially consistent with Van Acker et al. (2015) who found that auditees did not consider the credibility of auditors and follow-up audit in influencing them to implement audit recommendations. A follow-up audit is even considered as a burden to the auditees. Auditees may have the impression that a follow-up audit indicates the auditors' lack of confidence on the actions taken by auditees. For AG's Dashboard, most respondents are still unaware about the importance of AG's Dashboard which is still new in public sector auditing in Malaysia.

Panel B, Table 4 shows five (5) variables except for media influence on the actual implementation of audit recommendations. This is because media might not be directly communicating with the auditees compared with auditor and AC. Media only uses selected audit issues for them to sensationalize. In addition, the study

shows that the significance in actual implementation of audit recommendations is higher for each independent variable compared with the significance of intention. Since intention is voluntary, the presence of the auditors at the respondents' office (including follow-up audit) causes the implementation of audit recommendations to become an obligation. This is because the auditees are under pressure. For AI, the auditee has the voluntary intention to implement the audit recommendations; but the recommendation will be implemented faster if it is in a compliance environment. This is because majority of the recommendations in AI are consisted of compliance recommendation rather than the internal control recommendations (which can be considered to be implemented and not an obligation). For AG's Dashboard, it has not been able to influence the auditee voluntary implementation of the audit recommendations because it is something new to the Malaysian public sector. For the AC, the meeting of once in every three (3) month causes the implementation of audit recommendation to be a routine that must be reported, voluntarily or otherwise. In conclusion, auditees may have the intention to implement the audit recommendations voluntarily; but the level of implementation will be higher and faster in an involuntary situation where compliance to rules and regulations involved.

ADDITIONAL ANALYSIS

TRA predicts an individual's intention to engage in a behaviour which is influenced by attitude and subjective norms. Nevertheless, the Theory of Planned Behaviour (TPB) states that behaviour achievement depends on intention and behavioural control. The concept was proposed by Ajzen (1991) as to improve the predictive power of the TRA. Therefore, additional analysis was conducted to determine whether auditees' intention influences the behaviour achievement. Can intention moderate the strength of the relationship between attitude and subjective norms with the actual implementation of audit recommendations? This test is consistent with the study by Carrington, Neville and Whitwell (2010) that suggests intention should be moderating variable in testing actual implementation. The model for this additional analysis is as follows:

$$\begin{aligned} \text{IMP} = & \beta_0 + \beta_1 \text{ATT} + \beta_2 \text{AUD} + \beta_3 \text{FA} + \beta_4 \text{AI} \\ & + \beta_5 \text{AG} + \beta_6 \text{AC} + \beta_7 \text{MED} + \beta_8 \text{ATT} * \text{INT} \\ & + \beta_9 \text{AUD} * \text{INT} + \beta_{10} \text{FA} * \text{INT} + \beta_{11} \text{AI} * \text{INT} \\ & + \beta_{12} \text{AG} * \text{INT} + \beta_{13} \text{AC} * \text{INT} \\ & + \beta_{14} \text{MED} * \text{INT} + \text{error} \end{aligned} \quad (2)$$

Where:

IMP : actual implementation of audit recommendations

Other variables are defined as in Equation 1

The results are shown in Table 5. The analysis shows that model is significant at $p < .001$. Meanwhile,

the Adjusted R-squared is 53%; suggesting that model can explain the relationship between the interaction of intention with attitude and subjective norms and actual implementation of audit recommendations.

The results indicate that the interaction between Audit Committee effectiveness and intention is significant ($\beta = 0.169$, $t = 2.356$, $p = 0.019$). This suggests that the auditees' intention moderates the relationship between Audit Committee effectiveness on the actual implementation of audit recommendations. However, the results also show that the interactions of auditees' intention with attitudes and other subjective norms are not significantly associated with the actual implementation of the audit recommendations.

TABLE 5. Results of multiple regression analysis with moderating variable (Intention)

| Variable | Coefficient | t | Sig. |
|--------------------------------|-------------|---------|-------|
| Constant | 3.781 | 145.473 | .000 |
| Attitude | .036 | .881 | .379 |
| Auditor | .185 | 2.943 | .004 |
| Follow-up Audit | .107 | 1.934 | .054 |
| Index Accountability | .174 | 2.681 | .008 |
| AG's Dashboard | .158 | 2.817 | .005 |
| Audit Committee | .163 | 2.574 | .011* |
| Media | .042 | 1.378 | .170 |
| Intention | .072 | 2.192 | .029* |
| Attitude*Intention | .060 | 1.582 | .115 |
| Auditor*Intention | -.057 | -.875 | .382 |
| Follow-up Audit*Intention | -.005 | -.079 | .937 |
| Index Accountability*Intention | .070 | .999 | .319 |
| AG's Dashboard*Intention | -.078 | -1.319 | .189 |
| Audit Committee*Intention | .169 | 2.356 | .019* |
| Media*Intention | .001 | .018 | .985 |
| R-squared | 56.1% | | |
| Adjusted R-squared | 53.0% | | |

CONCLUSION

This study has contributed to the Theory of Reasoned Action which supports attitude and subjective norms in influencing the intention to implement audit recommendation. This study also introduces Accountability Index as a factor that influences the auditees' intention. Accountability Index acts as an inducement because auditees see them as a means of rewards and punishment. These findings also have implications to the Malaysian public sector authorities in enhancing the role of the media and Audit Committee. The media and Audit Committee should continuously assist the public sector in ensuring that the audit recommendations are implemented. Similarly, the Accountability Index should be continued as a motivation to the auditee to voluntarily implement audit recommendations. Meanwhile, in terms of auditors and follow-up audit, National Audit Department

should produce more respectable auditor as the audit recommendations implemented by the auditee is not due to the presence of the auditor at the auditees' office; but because of the credibility of auditors who can convince the auditees that the recommendations given are of good quality and practical to implement. From the aspect of the Auditor General's Dashboard, National Audit Department should promote the usefulness of Auditor General's Dashboard so that more people can take the opportunity to use this medium to monitor the status of the implementation of audit recommendations. Finally, the additional analysis related to Theory of Planned Behaviour shows that intention can affect the strength of the relationship between Audit Committee effectiveness with the actual implementation of audit recommendations.

However, there are limitations that may affect the interpretation of the findings. The first limitation is on the measurement of term or period that the auditee intends to implement the audit recommendations. In a situation that relates with ethical issues that need sincere and true response, the respondent's answer might be biased towards projecting his good image. The second limitation is the measurement of all variables whereby it is based only on the perception of the auditee. It may make this measurement method to be less accurate in describing the actual situation.

Since this study is based on the Theory of Reasoned Action, it did not take into account the perceived behavioural control which refers to the internal and external constraints in implementing behaviour such as skills, capabilities, resources, emotional (stress) and others (Ajzen 1991). Future study needs to take into account such elements in accordance with the Theory of Planned Behaviour (extension of Theory of Reasoned Action). This study covered only an additional analysis on intention as the moderating variable to the actual behaviour (implementation of audit recommendations), which is part of the Theory of Planned Behaviour. In addition, this study uses a questionnaire that only focuses on the perception of the auditee; which is exposed to potential bias. Further study can be done by taking into account the information from secondary data such as Auditor General's Report, Auditor General's Dashboard, an audit feedback report by Ministry of Finance, and so on. This can provide a more accurate scenario of the actual implementation of audit recommendations.

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APPENDIX

APPENDIX 1. Measurement of research variables

| Variable | Summary of item's measurement | No. of Item | Type of Measurement Instrument |
|---|---|-------------|---|
| Intention | Period to be taken to implement the audit recommendations is translated into a percentage value to reflect the determination of auditees to implement the audit recommendations. 100% (less than a month), 75% (between 1 to 6 months), 50% (between 7 and 12 months), 25% (over 12 months) and 0% (not implement). | 1 | Vignette based on Auditor General Report 2014 and measurement based on Thrasher (2006) and Malaysian Public Sector practices. |
| Actual Implementation of Audit Recommendation | Documenting the action plan; implement all recommendations; according to the agreed period. | 3 | Aikins (2012) |
| Attitude | Auditee perception of the importance of the audit recommendations to improve management efficiency / cost savings | 1 | Vignette based on Auditor General report 2014 and measurement based Aikins (2012); Buchan (2005); Dahlin (2000); Uddin (2000) |
| Auditor | Provide guidance; immediacy; provide room for discussion; considering the respondents' views; involvement of senior auditors | 5 | Aikins (2012); Lowensohn et al. (2007); Morin (2001, 2008); Van Acker et al. (2015) |
| Follow-up Audit | The accuracy of previous recommendations' implementation; the implementation period; pending issues was re-reported; increase workload | 4 | Aikins (2012); Morin (2001, 2008); Van Ackers et al. (2015) |
| Accountability Index | Performance comparison; bench mark; reinforcing compliance; performance improvements | 4 | Abdul Razak, F. et al. (2010); Abu Bakar, N.B. & Ismail, S. (2011); Wiley (2003) |
| AG's Dashboard | The accuracy status of implementation; guide; motivation, | 3 | Ballou et al. (2010) |
| Audit Committee | Discuss the recommendations; determine the corrective actions; determine the preventive actions; duration of action; responsible officer; frequency of meetings; report the latest status of recommendations | 7 | Alzeban & Sawan (2015); Treasury of Malaysia (2013) |
| Media | Exposing weaknesses; sensationalized the issues; affect the image; element of forcing | 4 | Justesen & Skarbaek (2010); Morin (2008) |

Vignette (Source: Auditor General Report 2014):

Auditors conducted an audit of the quarters' management. The audit found that there are no special provisions for the maintenance of the quarters every year, no uniform guidelines issued, irregular utility payments by residents and asset maintenance records were incomplete and outdated. Accordingly, the auditors recommend that division / unit be established to manage, monitor and coordinate the management of quarters. It aims to ensure no weakness / non-recurring audit issue and to avoid similar audit recommendations being given.

