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Audit quality of financial and compliance audits conducted by the corporate government sector of the Commission on Audit, Regional Office No. 01, Philippines

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A B S T R A C T

This study assessed the audit quality of financial and compliance audits conducted by state auditors in the Commission on Audit (COA) Regional Office No. 01, focusing on the corporate government sector in Region I, Philippines. Utilizing a descriptive-correlational research design and survey data from 40 state auditors and 120 auditees across various government-owned and controlled corporations, the study examined perceptions of key audit quality determinants and associated challenges. Data were analyzed using weighted mean and Pearson r.

Findings showed that both auditors and auditees rated the influence of five audit quality determinants as high to very high. "Independence and Objectivity" consistently received the highest ratings, while "Adherence to Public Sector Auditing Standards" received the lowest, although still within high category. Challenges were significantly associated with lower financial audit quality but had no significant effect on compliance audit quality.

The study concludes that COA Regional Office No. 01 maintains high audit quality, particularly in compliance audits, underscoring the importance of technical competence and adherence to standards. However, resource, time constraints and threats to independence and objectivity hinder audit thoroughness, especially in financial audits, which are more sensitive to these challenges than compliance audits. Recommendations include targeted auditor training, enhanced resource allocation, stronger methodological oversight, expanded IT support, and improved auditee engagement. Future research should consider broader COA sectors and explore perception gaps between auditors and auditees.

Introduction

The Commission on Audit (COA) serves as the Philippines' Supreme Audit Institution, tasked with promoting transparency, accountability, and efficiency in the use of public funds (Commission on Audit, n.d.). Within COA, the Corporate Government Sector audits government-owned and controlled

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corporations (GOCCs), which are mandated to deliver vital services while maintaining financial viability (Governance Commission for GOCCs, n.d.).

Audit quality, defined as the probability that an auditor both detects and reports material misstatements (Ghebremichael, 2018; Pangaribuan et al., 2018), is central to maintaining public trust and ensuring that financial reports accurately reflect government resource use. High-quality audits enhance organizational transparency and contribute to sound public financial management.

Several key determinants critically influence audit quality: auditor competence and expertise, independence and objectivity, integrity, adherence to public sector auditing standards, and rigor of audit methodology (Nasution, 2021; Evinita et al., 2024). In addition to examining these determinants, this study acknowledges the significant challenges faced by state auditors. Resource constraints—particularly shortages of specialized personnel and technological tools—directly impede the ability to conduct comprehensive audits (Krishnan & Tanyi, 2023).

The nature of audits performed also reinforces the importance of audit quality. Financial audits assess the fairness and accuracy of financial statements and compliance with accounting standards, ensuring transparency and fiscal accountability (Commission on Audit, 2019). Compliance audits verify whether activities and transactions conform to laws, regulations, and internal policies, promoting lawful and ethical governance (International Organization of Supreme Audit Institutions, 2019).

Despite the critical role of COA Regional Office No. 01, there is notable absence of comprehensive studies that examine how audit quality is affected by various determinants in the regional context. Regional auditors encounter distinct challenges such as resources limitations, heavy time pressures and increasing audit complexity in GOCCs. In several instances, audits are undertaken by "one-man audit teams," leaving little time for in-depth audit procedures. Furthermore, auditors are burdened with numerous administrative and reportorial requirements that consume a significant portion of their time and effort, reducing the focus and depth of actual audit work. These realities underscore the need to empirically assess factors influencing audit quality. Given the critical importance of these audits and the absence of previous research in this specific area within COA Regional Office No. 01, this study addresses a significant research gap.

The researcher, who is currently a state auditor in the Corporate Government Sector of COA Regional Office No. 01, possesses first-hand knowledge of the audit processes, methodologies, and challenges unique to the regional context. This proximity to the subject matter enables the study to address practical realities while contributing to scholarly discourse.

Ultimately, this study aims to enrich academic literature on audit quality while advancing the audit practices within COA, which supports its continuing mission to uphold transparency, integrity, and accountability in Philippine governance.

Literature review

The Commission on Audit (COA)

The COA is the constitutional commission tasked to act as the Philippines' Supreme Audit Institution. Its responsibility is to ensure that government resources are used effectively, efficiently, and economically. Under Article IX-D of the 1987 Constitution, COA's mandates include examining, auditing, and settling all accounts related to government revenues, receipts, expenditures, and the use of funds and property. Its authority covers national government agencies, local government units (LGUs), GOCCs, and instrumentalities receiving public funds. With exclusive authority to audit, COA maintains independence from both executive and legislative influences, ensuring it can freely perform its duties (Commission on Audit, n.d.).

The corporate government sector in the Philippines

The Corporate Government Sector in the Philippines is composed of GOCCs that play a critical role in delivering public services, promoting economic development, and generating revenues for the State. GOCCs operate in a wide range of industries including banking, insurance, energy, transportation, healthcare, housing, and agriculture. Their dual nature—as both business entities and government instruments—requires them to balance profitability with the public interest. Over the years, especially after the passage of Republic Act No. 10149 or the "GOCC Governance Act of 2011," reforms have been introduced to improve governance, accountability, and performance in this sector.

Determinants of audit quality

Audit quality is a crucial concept within the field of auditing, significantly affecting stakeholders' perceptions of financial statements and overall organizational credibility. It can be defined as the probability that an auditor can uncover and report material misstatements in an organization's financial reporting, heavily influenced by factors such as auditor competence and independence (Ghebremichael, 2018). Several determinants critically influence the caliber of audits, producing variance in audit quality outcomes. The complexity of tasks, regulatory environments, and the macroeconomic landscape are influential factors. However, key attributes such as competence, independence, integrity, adherence to standards, and a rigorous audit methodology are foundational to achieving high-quality audit outcomes (Nasution, 2021; Meidawati & Assidiqi, 2019).

Challenges encountered by state auditors in conducting audit

The State auditors consistently face multifaceted challenges in executing their mandates. In particular, the complex organizational frameworks and rigid institutional structures often impede the adoption of innovative methodologies in auditing processes. These challenges are compounded by bureaucratic inertia and the difficulty in implementing continuous auditing mechanisms in public institutions (Polizzi & Scannella, 2022).

Resource constraints are a significant challenge affecting state auditing processes. Audit offices often face limitations in both human and technological capital, which directly impedes the capacity to thoroughly assess and monitor financial and operational data in public entities. Prior research has indicated that inadequate resource availability can compromise the overall quality and reliability of audits (Krishnan & Tanyi, 2023).

Time constraints are another pervasive challenge that adversely affects the quality of state audits. State auditors are often compelled to complete extensive documentation and fieldwork within rigid deadlines, which may not align with the comprehensive scrutiny that effective audits require. This situation is exacerbated by the increasing complexity of public sector finances, requiring auditors to balance speed with diligence (Schreyer et al., 2021).

Threats to auditors' independence and objectivity also represent a critical challenge in state auditing, particularly as external and internal pressures converge to compromise professional judgment. State auditors are frequently subject to political influence, management interference, and conflicts of interest that can undermine their independent assessment of public accounts (Prasanti et al., 2019).

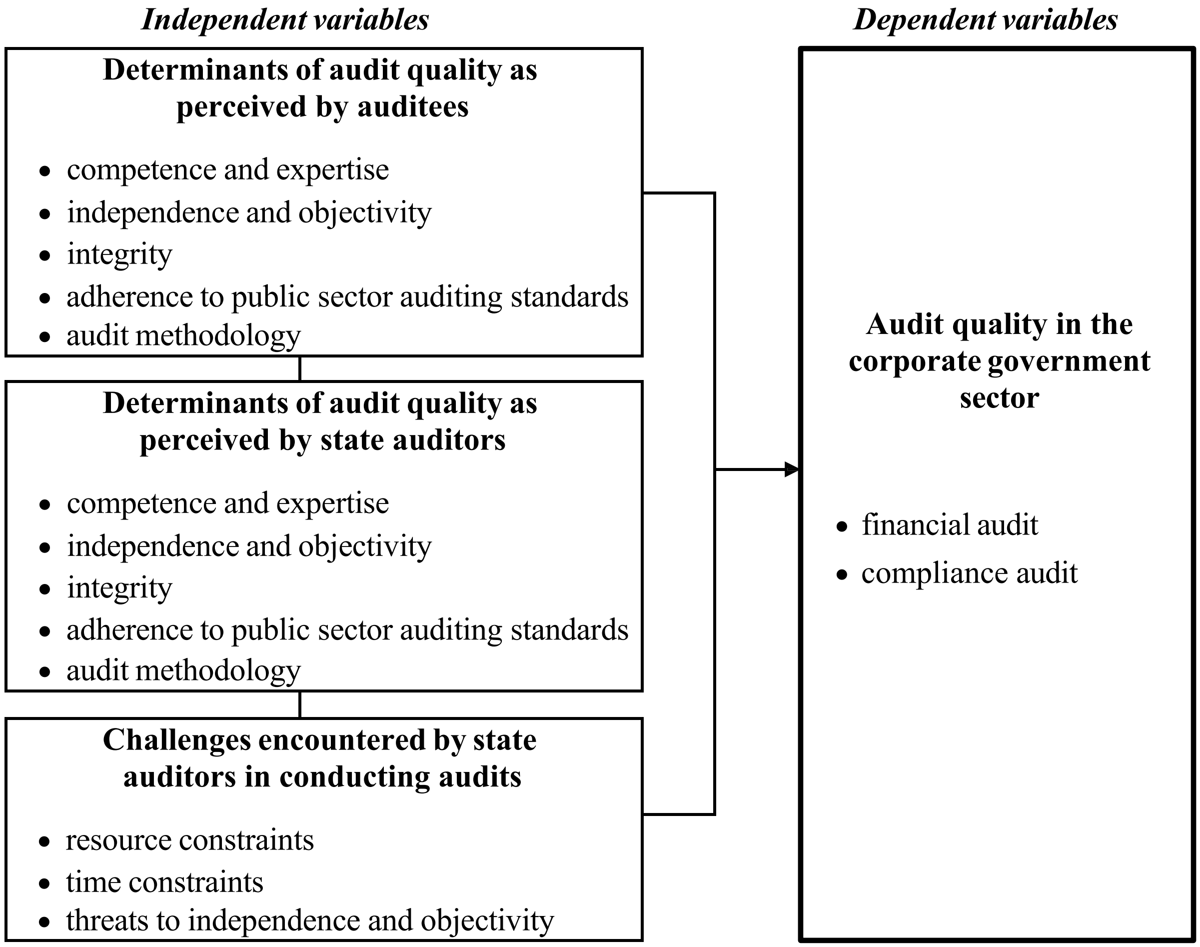
Financial audit

Financial audit plays a critical role in ensuring transparency, accountability, and good governance, especially within the public sector. A financial audit is an independent examination of an entity's financial statements to determine whether they are presented fairly and in accordance with applicable financial reporting frameworks (Commission on Audit, 2019). The adoption of ISSAI 100 and ISSAI 1000, along with modern audit methodologies, strengthens the reliability and impact of financial audits. As governments continue to face growing demands for accountability and transparency, the role of robust, methodical financial audits remains indispensable in promoting good governance and public trust.

Compliance audit

Compliance audit in the public sector is an essential process that ensures government agencies and entities adhere to laws, regulations, policies, established codes, and contractual obligations. Unlike financial audits, which focus primarily on the fair presentation of financial statements, compliance audits examine whether an entity's actions, financial transactions, and operations conform to specific requirements (International Organization of Supreme Audit Institutions, 2019). Public sector compliance audits are crucial because they safeguard public funds, uphold the rule of law, and reinforce good governance by holding public officials accountable for their actions.

Conceptual framework



Source: Quality Management System Manual, (2018); Adams & Baker (2017); Latham & Sheehan (2019); Gendron & Bédard (2016); ISSAIs 1000 & 4000

Figure 1 illustrates the conceptual framework. The independent variables consist of the determinants of audit quality as perceived by state auditors and auditees and the challenges encountered by state auditors in conducting audits. While the dependent variable pertains to the audit quality in the corporate government sector. The study establishes the relationship between the degree of influence of the determinants of audit quality as perceived by state auditors and auditees and the level of audit quality in the Corporate Government Sector. Likewise, the study also investigates the relationship between the degree of seriousness of the challenges encountered by state auditors and the level of audit quality in the Corporate Government Sector.

Statement of the problem

This study aimed to assess the audit quality of financial and compliance audits conducted by state auditors in COA Regional Office No. 01, specifically in the Corporate Government Sector of Region I, Philippines. The research examined how various factors affect the quality of audits and identify the challenges faced by state auditors in their work.

Specifically, it sought to answer the following questions:

1. **What is the degree of influence of the following determinants on the audit quality in the corporate government sector as perceived by state auditors:**
   1.1. competence and expertise;
   1.2. independence and objectivity;
   1.3. integrity;
   1.4. adherence to public sector auditing standards; and
   1.5. audit methodology?

2. **What is the degree of influence of the following determinants on the audit quality in the corporate government sector as perceived by auditees:**
   2.1. competence and expertise;
   2.2. independence and objectivity;
   2.3. integrity;
   2.4. adherence to public sector auditing standards; and
   2.5. audit methodology?

3. **What is the degree of seriousness of the challenges encountered by state auditors in conducting audits in terms of:**
   3.1. resource constraints;
   3.2. time constraints; and
   3.3. threats to independence and objectivity?

4. **What is the level of audit quality in the corporate government sector, specifically in the conduct of:**
   4.1. financial audit; and
   4.2. compliance audit?

5. **Is there a significant relationship between the degree of influence of the determinants on audit quality as perceived by state auditors and the level of audit quality in the corporate government sector in the conduct of:**
   5.1. financial audit; and
   5.2. compliance audit?

6. **Is there a significant relationship between the degree of influence of the determinants on audit quality as perceived by auditees and the level of audit quality in the corporate government sector in the conduct of:**
   6.1. financial audit; and
   6.2. compliance audit?

7. **Is there a significant relationship between the degree seriousness of the challenges encountered by state auditors in conducting audits and the level of audit quality in the**

corporate government sector in the conduct of:

7.1. financial audit; and

7.2. compliance audit?

Hypothesis

H_a1. There is a significant relationship between the degree of influence of the determinants on audit quality as perceived by state auditors and the level of audit quality in the corporate government sector in the conduct of:

a. financial audits; and
b. compliance audits.

H_a2. There is a significant relationship between the degree of influence of the determinants on audit quality as perceived by auditees and the level of audit quality in the corporate government sector in the conduct of:

a. financial audits; and
b. compliance audits.

H_a3. There is a significant relationship between the degree of seriousness of the challenges encountered by state auditors and the level of audit quality in the corporate government sector in the conduct of:

a. financial audits; and
b. compliance audits.

Scope and delimitation of the study

This study aimed to assess the level of audit quality in the corporate government sector, specifically focusing on both financial and compliance audits conducted by state auditors of the COA Regional Office No. 01.

The research examined the influence of several key determinants of audit quality, including competence and expertise, independence and objectivity, integrity, adherence to public sector auditing standards, and audit methodology as perceived by state auditors and auditees.

Additionally, the study evaluated the challenges faced by state auditors during audits, particularly resource constraints, time constraints, and threats to independence and objectivity.

The study further explored the relationship between the degree of influence of the determinants of audit quality as perceived by state auditors and auditees and the level of audit quality of financial and compliance audits. Furthermore, the relationship between the seriousness of the challenges and the audit quality in the corporate government sector was assessed.

Research methodology

Research design

The study utilized the survey and descriptive-correlational research methods. The survey method was employed to collect data through questionnaires. The aim of this design is to determine the existence and degree of a relationship between two or more variables. This research design was chosen because it is the most appropriate method when the study seeks to study the phenomenon being studied and the relationship between variables.

Locale of the study

The study was conducted at the COA Regional Office No. I, located along the San Fernando City By-Pass Road, Barangay Sevilla, San Fernando City, La Union, Philippines. This office serves as the central hub for auditing operations within Region I, covering the provinces of Ilocos Norte, Ilocos Sur, La Union, and Pangasinan. It upholds COA's mission to promote transparency, accountability, and good governance through independent and professional audit services. In addition to the COA Regional Office No. 1, the study was also conducted in the audited agencies across Region 1 that are under the jurisdiction of state auditors.

Population and sampling

The population of this study consisted of 40 state auditors assigned to the Corporate Government Sector of COA Regional Office No. 01. The respondents specifically include state auditors who have completed at least two audit cycles, ensuring that they possess sufficient audit experience relevant to the objectives of the study. Likewise, 120 auditees who are directly involved in audit engagements conducted by these auditors were also part of the population. The sampling method employed was total enumeration, wherein all qualified state auditors and auditees within the defined population were selected as respondents. This approach ensures comprehensive data collection and minimizes sampling bias.

Data gathering procedure

Data were collected through a four-part survey questionnaire. Part I evaluated five key determinants: competence and expertise, independence and objectivity, integrity, adherence to public sector auditing standards, and audit methodology, which was primarily adapted from the Quality Management System Manual of COA. Part II was developed in alignment with Part I but was revised to capture auditees' perspectives. Part III identified challenges encountered by state auditors in conducting audits across three domains: resource constraints (from Adams and Baker, 2017), time constraints (from Latham and Sheehan, 2019), and threats to independence and objectivity (from Gendron and Bédard, 2016). Part IV measured perceptions of the audit quality of both financial and compliance audits, which were adapted from ISSAI 1000 and 4000 to provide essential guidance on audit quality and methodology within the public sector.

Ethical considerations

This study adhered to the highest ethical standards to ensure research integrity and protect participants' rights. Informed consent was obtained prior to participation, with each participant receiving a detailed consent form outlining the study's purpose, procedures, confidentiality measures, and the right to withdraw at any time without penalty. Data were securely stored and retained only as long as required by institutional guidelines before securing destruction. Participation was entirely voluntary, with no direct personal benefits or foreseeable risks, and although minor inconvenience was possible, every effort was made to minimize discomfort.

Tools for data analysis

The collected data underwent thorough statistical analysis to ensure accuracy in interpretation. Quantitative responses were analyzed using both descriptive and inferential methods, primarily through mean calculations and simple correlational analysis.

The following were used to analyze the mean ratings.

Determinants of audit quality

Scale	*Range of Values*	*Descriptor*	*Descriptive Interpretation*
5	4.51-5.00	Strongly Agree	Very High (VH)
4	3.51-4.50	Agree	High (H)
3	2.51-3.50	Somewhat Agree	Moderate (M)
2	1.51-2.50	Disagree	Low (L)
1	1.00-1.50	Strongly Disagree	Very Low (VL)

Challenges encountered by state auditors in conducting audit

Scale	*Range of Values*	*Descriptor*	*Descriptive Interpretation*
5	4.51-5.00	Strongly Agree	Very Serious
4	3.51-4.50	Agree	Serious
3	2.51-3.50	Somewhat Agree	Moderately Serious
2	1.51-2.50	Disagree	Slightly Serious
1	1.00-1.50	Strongly Disagree	Not a Problem

Audit quality

Scale	*Range of Values*	*Descriptor*	*Descriptive Interpretation*
5	4.51-5.00	Strongly Agree	Very High (VH)
4	3.51-4.50	Agree	High (H)
3	2.51-3.50	Somewhat Agree	Moderate (M)
2	1.51-2.50	Disagree	Low (L)
1	1.00-1.50	Strongly Disagree	Very Low (VL)

Data presentation and analysis

The data are presented according to the statement of the problem. The study answered the following questions:

1. **What is the degree of influence of the following determinants on the audit quality in the corporate government sector as perceived by state auditors:**

1.1. competence and expertise;

1.2. independence and objectivity;

1.3. integrity;

1.4. adherence to public sector auditing standards; and

1.5. audit methodology?

Table 1. Degree of influence of the determinants on audit quality as perceived by state auditors (n=40)

	Indicators	Mean	Interpretation
A.	**Competence and expertise**		
1	The audit team have adequate professional qualifications and training.	4.55	VH
2	The audit team is capable of applying technical knowledge during the audit.	4.63	VH
3	The audit team understand the structure and operations of the audited entity.	4.18	H
4	Specialized staff (e.g., legal, engineering, IT experts) are consulted when necessary by the audit team.	4.53	VH
5	The audit team demonstrates sound judgment when resolving audit issues.	4.60	VH
	Composite Mean	**4.50**	**H**
B.	**Independence and objectivity**		
1	Each member of the audit team are free from political and management influence.	4.50	H
2	Audit conclusions are reached based on evidence, not personal bias by the audit team.	4.78	VH
3	Audit teams are rotated regularly to prevent familiarity threats.	4.60	VH
4	Safeguards exist to protect the auditor's objectivity.	4.60	VH
5	The auditors maintain professional skepticism during the audit.	4.70	VH
	Composite Mean	**4.64**	VH
C.	**Integrity**		
1	Auditors demonstrate honesty in carrying out audit procedures.	4.70	VH
2	Ethical dilemmas are addressed in accordance with institutional guidelines.	4.48	H
3	Auditors avoid relationships that may impair integrity.	4.48	H
4	Audit findings are reported accurately without distortion.	4.68	VH
5	The audit team ensures transparency in the conduct and reporting of audits.	4.43	H
	Composite Mean	**4.55**	VH

D.	**Adherence to public sector auditing standards**		
1	The audit process follows the audit guidelines under the PPSSA.	4.43	H
2	Audit documentation complies with prescribed formats and requirements.	4.50	H
3	Quality control procedures are observed throughout the audit.	3.98	H
4	Reporting templates follow public sector audit standards.	4.68	VH
5	The audit procedures align with international audit standards (e.g., ISSAIs).	4.78	VH
	Composite Mean	**4.47**	**H**
E.	**Audit methodology**		
1	The audit planning process is based on risk assessment.	4.73	VH
2	Audit procedures used are appropriate to the audit objective.	4.58	VH
3	Technology and data analytics are used to improve audit efficiency.	4.65	VH
4	The audit methodology ensures timely reporting of findings.	4.30	H
5	There is a systematic review of audit work and documentation.	4.30	H
	Composite Mean	**4.51**	**VH**
	Overall Mean	**4.53**	**VH**

Source: Quality Management System Manual, (2018)

The results presented in Table 1 highlight the degree of influence of the determinants on the audit quality in the corporate government sector as perceived by state auditors. The overall mean of all the determinants influencing audit quality is 4.53, which falls under the Very High descriptive category. This indicates that state auditors collectively perceive the key determinants as highly influential in delivering quality audit results. The implication is that audit institutions must continue to holistically strengthen these areas, as their synergistic impact is critical to the effectiveness, credibility, and reliability of government audits.

The highest composite mean is 4.64, with descriptive interpretation of Very High observed in the determinant "Independence and Objectivity." This suggests that among all the determinants, auditors place the greatest value on maintaining independence from external influence and ensuring objectivity in audit conclusions. The implication is that COA and similar institutions must prioritize policies and safeguards that protect auditors from political or management pressures, reinforce ethical behavior, and encourage regular rotation and professional skepticism to uphold the integrity of audit reports.

In contrast, the lowest composite mean is 4.47, recorded under "Adherence to Public Sector Auditing Standards." Although still interpreted as High, it is the lowest among the five determinants. This implies that while auditors recognize the importance of following audit standards, there is inconsistencies in implementation—especially in areas such as quality control procedures. The implication is a need for more rigorous enforcement of audit standards, enhanced quality assurance systems, and targeted training to ensure consistent compliance with public sector auditing standards.

2. What is the degree of influence of the following determinants on the audit quality in the corporate government sector as perceived by auditees:
2.1. competence and expertise;
2.2. independence and objectivity;
2.3. integrity;
2.4. adherence to public sector auditing standards; and
2.5. audit methodology?

Table 2. Degree of influence of the determinants on audit quality as perceived by auditees (n=120)

	Indicators	Mean	Interpretation
A.	**Competence and expertise**		
1	We observed that the audit team assigned to our agency had adequate professional qualifications and training.	4.75	VH
2	We observed that the audit team demonstrated the ability to apply technical knowledge effectively during the audit.	4.48	H
3	We observed that the audit team had a clear understanding of our agency's structure and operations.	3.81	H
4	We observed that the audit team consulted specialized staff (e.g., legal, engineering, IT experts) when necessary.	4.67	VH
5	We observed that the audit team exercised sound professional judgment in resolving audit issues concerning our agency.	4.55	VH
	Composite Mean	**4.45**	**H**
B.	**Independence and objectivity**		
1	We observed that each member of the audit team was free from political and management influence.	4.63	VH
2	We observed that audit conclusions were based on evidence and not influenced by personal bias.	4.65	VH
3	We observed that audit teams were rotated regularly to avoid familiarity threats.	4.36	H

4	We observed that safeguards were in place to protect the objectivity of the auditors.	4.60	VH
5	We observed that the auditors maintained professional skepticism throughout the audit.	4.73	VH
	Composite Mean	**4.60**	VH
C.	**Integrity**		
1	We observed that the auditors demonstrated honesty in carrying out audit procedures.	4.83	VH
2	We observed that ethical dilemmas encountered by the auditors were addressed in accordance with institutional guidelines.	4.26	H
3	We observed that the auditors avoided relationships that could impair their integrity.	4.26	H
4	We observed that audit findings were reported accurately and without distortion.	4.28	H
5	We observed that the audit team ensured transparency in both the conduct and reporting of the audit.	4.55	VH
	Composite Mean	**4.44**	H
D.	**Adherence to public sector auditing standards**		
1	We observed that the audit process followed the audit guidelines under the Philippine Public Sector Standards on Auditing (PPSSA).	4.28	H
2	We observed that the audit documentation complied with the prescribed formats and requirements.	4.29	H
3	We observed that quality control procedures were followed throughout the audit.	4.41	H
4	We observed that the reporting templates used conformed to public sector audit standards.	4.33	H
5	We observed that the audit procedures were aligned with international audit standards (e.g., ISSAIs).	4.53	VH
	Composite Mean	**4.37**	**H**
E.	**Audit methodology**		
1	We observed that the audit planning process was based on risk assessment.	4.48	H
2	We observed that the audit procedures used were appropriate to the audit objectives.	4.41	H
3	We observed that technology and data analytics were used to enhance audit efficiency.	4.29	H
4	We observed that the audit methodology supported the timely reporting of findings.	4.40	H
5	We observed that there was a systematic review of audit work and documentation.	4.53	VH

	Composite Mean	**4.42**	**H**
	Overall Mean	**4.45**	**H**

Source: Quality Management System Manual, (2018)

The results presented in Table 2 highlight the degree of influence of the determinants on the audit quality in the corporate government sector as perceived by auditees. The overall mean across all determinants is 4.45, which falls under the High descriptive category. This indicates that auditees perceive the identified determinants as having a high influence on the quality of audits conducted in the corporate government sector. The implication is that while the audit teams are viewed positively, there is still potential for improvement in key areas to elevate the perception of audit quality from High to Very High.

The highest composite mean is 4.60, Very High, recorded under the determinant "Independence and Objectivity." This suggests that auditees strongly recognize the auditors' independence from external pressures and their commitment to objective, evidence-based audit conclusions. The implication is that the Commission on Audit's efforts to safeguard auditor independence are effective and visible to stakeholders.

Conversely, the lowest composite mean is 4.37, High, observed under "Adherence to Public Sector Auditing Standards." Although still within the High category, this lower rating implies that auditees perceive some inconsistencies in how auditing standards and guidelines are applied, particularly regarding audit documentation, quality control, and standard compliance. The implication is that audit teams should strengthen their adherence to prescribed formats and international standards (e.g., ISSAIs) and ensure that these practices are clearly communicated and evident during engagements to foster greater assurance of procedural compliance.

3. What is the degree of seriousness of the challenges encountered by state auditors in conducting audits in terms of:

3.1. resource constraints;

3.2. time constraints; and

3.3. threats to independence and objectivity?

Table 3. Degree of degree of seriousness of the challenges encountered by state auditors in conducting audits (n=40)

	Indicators	Mean	Interpretation
A.	**Resource constraints**		
1	Limited manpower affects the efficiency and effectiveness of audit procedures.	4.80	VS
2	The lack of up-to-date audit equipment and essential supplies (e.g., software, office materials) hinders the speed and accuracy of audit tasks.	3.98	S
3	Insufficient training opportunities for auditors lead to reduced audit quality and expertise.	4.35	S

4	The unavailability of adequate technological resources (e.g., audit software, data analytics tools) limits the audit team's ability to perform thorough and efficient audits.	3.68	S
5	The lack of access to reliable and accurate data or information resources impedes the thoroughness of the audit process.	4.30	S
	Composite Mean	**4.22**	**S**
B.	**Time constraints**		
1	Time constraints often result in auditors not having sufficient time to complete audit tasks in detail.	4.48	S
2	The pressure of tight deadlines affects the overall quality of audit findings.	4.35	S
3	Auditors often rush through the audit process due to time limitations.	4.05	S
4	Time constraints can prevent auditors from exploring audit issues thoroughly.	4.83	VS
5	Auditors are unable to meet quality standards when faced with significant time pressures.	4.15	S
	Composite Mean	**4.37**	S
C.	**Threats to independence and objectivity**		
1	Political influence often undermines the independence of auditors in public sector audits.	4.33	S
2	Auditors face challenges in maintaining objectivity when working with government entities.	3.23	MS
3	Relationships with management and stakeholders can compromise auditor objectivity.	3.98	S
4	External pressure from government officials impacts the auditors' ability to remain independent.	4.13	S
5	The integrity of audit findings is often compromised due to external influence or interference.	4.15	S
	Composite Mean	**3.96**	S
	Overall Mean	**4.18**	**S**

Source: Adams & Baker (2017); Latham & Sheehan (2019) and Gendron & Bédard (2016)

Table 3 presents the degree of seriousness of the challenges encountered by state auditors in the performance of their audit duties in the corporate government sector. The overall mean for all the identified challenges is 4.18, which falls under the Serious category. This suggests that state auditors face notable obstacles that significantly affect their audit work. It calls for systemic reforms, particularly in audit resourcing, scheduling, and protecting auditor independence.

Among the three major categories, the highest composite mean is 4.37, Serious, under "Time

Constraints." This indicates that time-related pressures are perceived as the most serious challenge by state auditors. Particularly, the statement "Time constraints can prevent auditors from exploring audit issues thoroughly" scored 4.83, classified as Very Serious. This suggests that auditors often lack sufficient time to conduct detailed and in-depth audit procedures. The implication is that audit planning and resource allocation must be revisited to ensure more realistic timelines.

Conversely, the lowest composite mean is 3.96, describes as Serious found under the category "Threats to Independence and Objectivity." While still within the Serious range, it is lower than the other categories, implying that although such threats are recognized, they are not as constant or visible as operational issues like time and resources.

4. What is the level of audit quality in the corporate government sector, specifically in the conduct of:
4.1. financial audit; and
4.2. compliance audit?

Table 4. Level of audit quality in the corporate government sector (n=40)

	Indicators	Mean	Interpretation
A.	**Financial audit**		
1	The audit objectives were clearly defined and aligned with the applicable financial reporting framework.	4.75	VH
2	The audit was properly planned, including a thorough assessment of risks.	4.15	H
3	The auditor applied professional judgment and skepticism throughout the engagement.	4.60	H
4	The audit complied with the quality assurance processes prescribed in the INTOSAI financial audit guidelines.	4.10	H
5	The audit team obtained sufficient and appropriate audit evidence to support the opinion.	4.53	VH
6	Materiality was appropriately determined, considering both quantitative and qualitative aspects.	4.30	H
7	Communication with those charged with governance was timely and effective.	4.53	VH
8	The audit adequately considered compliance with applicable laws and regulations.	4.68	VH
9	Deficiencies in internal control were identified and communicated clearly.	4.58	VH
10	The final audit report was transparent, credible, and enhanced public accountability.	4.50	H
	Composite Mean	**4.47**	**H**
B.	**Compliance Audit**		

1	The compliance audit was conducted in accordance with ethical standards, demonstrating objectivity, independence, and integrity.	4.68	VH
2	The auditor exercised appropriate professional judgment and skepticism throughout the compliance audit process.	4.85	VH
3	The compliance audit identified and applied clear and relevant audit criteria based on applicable laws, regulations, and agreements.	4.88	VH
4	The audit planning was comprehensive, including identification of the intended users, subject matter, and audit risks.	4.08	H
5	The audit procedures were adequate to obtain sufficient and appropriate evidence to support the audit conclusion.	4.38	H
6	The compliance audit appropriately considered the risk of fraud and included measures to detect potential fraudulent activities.	4.45	H
7	The compliance audit team demonstrated the necessary competence and had adequate resources to perform the audit effectively.	4.43	H
8	The audit documentation was complete, timely, and sufficient to support the findings and conclusions.	4.73	VH
9	Communication with the audited entity and those charged with governance was clear, timely, and constructive throughout the audit.	4.80	VH
10	The audit report clearly communicated the audit conclusion or opinion, with transparency on the level of assurance provided.	4.88	VH
	Composite Mean	**4.61**	VH
	Overall Mean	**4.54**	**VH**

Source: ISSAIs 1000 & 4000

Table 4 shows that the overall mean rating of audit quality is 4.54, which is interpreted as Very High. This indicates that audit engagements in the corporate government sector are generally conducted with a high level of professionalism, competence, and adherence to auditing standards. The result reflects positively on the effectiveness of the audit teams in enhancing public accountability and ensuring the reliability of financial and compliance reporting.

The highest composite mean is 4.61, which pertains to the Compliance Audit component. This falls under the Very High descriptive interpretation. The result implies that audit activities related to compliance with laws, rules, and regulations are perceived to be executed with excellent quality. It reflects the auditors' strong competence, integrity, and effectiveness in ensuring that government transactions comply with applicable legal frameworks.

In contrast, the lowest composite mean is 4.47, which corresponds to the Financial Audit component. Although slightly lower than the compliance audit, it still falls within the High category. This suggests that while financial audits are generally performed well, there is slightly more variability in their execution compared to compliance audits. The result implies the need for continuous enhancement in certain areas such as audit planning and adherence to international quality assurance standards, to bring the financial audit component to the same level of excellence as compliance auditing.

5. Is there a significant relationship between the degree of influence of the determinants on audit quality as perceived by state auditors and the level of audit quality in the corporate government sector in the conduct of:
5.1. financial audit; and
5.2. compliance audit?

Table 5. Relationship between the degree of influence of the determinants on audit quality as perceived by state auditors and the level of audit quality

Determinants of audit quality as perceived by state auditors		**Audit quality**	
		Financial audit	**Compliance audit**
Competence and expertise	r	.287	**.315***
	(Sig. 2-tailed)	.072	.048
Independence and objectivity	r	.162	.214
	(Sig. 2-tailed)	.317	.185
Integrity	r	.246	.196
	(Sig. 2-tailed)	.125	.225
Adherence to public sector auditing standards	r	**.367***	.105
	(Sig. 2-tailed)	.020	.520
Audit methodology	r	.004	.013
	(Sig. 2-tailed)	.978	.938

*** Correlation is significant at the 0.05 level (2-tailed)**
**** Correlation is significant at 0.01 level (2-tailed)**
Source: Author's own table (2025)

Table 5 presents the results of the correlation analysis between the degree of influence of the determinants on audit quality as perceived by state auditors and the level of audit quality. Among the five determinants, only Adherence to Public Sector Auditing Standards showed a statistically significant moderate positive correlation with financial audit quality (r = .367, p =.020), indicating significance at the 0.05 level. This suggests that auditors who strongly adhere to public sector auditing standards are more likely to produce higher-quality financial audits. The finding underscores the importance of aligning audit practices with established standards to ensure credibility, accuracy, and effectiveness of audit outcomes. Abbas et al. (2020) emphasized the crucial role of audit compliance in combating administrative and financial corruption in government institutions. This supports the present study's conclusion that strict adherence to auditing standards contributes to higher audit quality by ensuring credibility and accountability in audit results.

On the other hand, only Competence and Expertise showed a statistically significant moderate positive correlation with compliance audit quality (r = .315, p = .048), which is significant at the 0.05 level. This finding suggests that auditors who perceive competence and expertise as highly influential in audit quality tend to achieve better outcomes in compliance audits. It highlights the importance of technical skills, professional judgment, and continuous training in ensuring that audits are conducted in line with laws, regulations, and agreements. The result supports the study of Hardianti et al. (2022) which found out that work experience and integrity significantly influenced audit quality among auditors in Indonesia, underscoring that technical competence and accumulated expertise are critical for effective audit performance.

H_a1 is partially accepted since adherence to public sector auditing standards has a significant positive relationship with financial audit quality (p = .020), while competence and expertise has a significant positive relationship with compliance audit quality (p = .048). The remaining determinants did not show statistically significant relationships with audit quality.

6. Is there a significant relationship between the degree of influence of the determinants on audit quality as perceived by auditees and the level of audit quality in the corporate government sector in the conduct of:

6.1. financial audit; and

6.2. compliance audit?

Table 6. Relationship between the degree of influence of the determinants on audit quality as perceived by auditees and the level of audit quality

Determinants of audit quality as perceived by auditees		**Audit quality**	
		Financial audit	**Compliance audit**
Competence and expertise	r	-.199	-.050
	(Sig. 2-tailed)	.219	.761
Independence and objectivity	r	.206	.093
	(Sig. 2-tailed)	.203	.568
Integrity	r	.103	.191

	(Sig. 2-tailed)	.526	.237
Adherence to public sector auditing standards	r	.203	.102
	(Sig. 2-tailed)	.209	.530
Audit methodology	r	-.054	.042
	(Sig. 2-tailed)	.741	.798

*** Correlation is significant at the 0.05 level (2-tailed)**
**** Correlation is significant at 0.01 level (2-tailed)**
Source: Author's own table (2025)

Table 6 presents the results of the correlation analysis between the degree of influence of the determinants on audit quality as perceived by auditees and the level of audit quality, specifically in the context of financial audit and compliance audit. The analysis shows that none of the determinants exhibited a statistically significant relationship with financial audit quality. This result suggests that from the perspective of the auditees, their perception of the influence of these determinants does not meaningfully correlate with their assessment of the quality of financial audits. The disconnect between auditees' perceptions and the actual drivers of audit quality aligns with the observation made by Kuczyńska-Cesarz (2019), where many small and medium-sized enterprise managers undervalued the substance and purpose of financial audits, viewing them more as a statutory obligation than a value-adding process.

Likewise, findings show that none of the determinants demonstrated a statistically significant correlation with compliance audit quality. These results indicate that auditees' views on the importance of these determinants do not meaningfully align with their assessment of compliance audit quality. This disconnect also echoes findings by Kuczyńska-Cesarz (2019), who reported that managers in SMEs often lack appreciation for the substance of audit reports, suggesting limited understanding of the key factors that affect audit quality.

Therefore, H_a2 is rejected. The results indicate that there is no significant relationship between the degree of influence of the determinants on audit quality as perceived by auditees and the level of audit quality in the corporate government sector, for both financial audits and compliance audits.

7. Is there a significant relationship between the degree seriousness of the challenges encountered by state auditors in conducting audits and the level of audit quality in the corporate government sector in the conduct of:

7.1. financial audit; and

7.2. compliance audit?

Table 7. Relationship between the degree of seriousness of the challenges encountered by state auditors in conducting audits and the level of audit quality

Challenges encountered by state auditors in conducting au dits		**Audit quality**	
		Financial audit	**Compliance audit**
Resource constraints	r	**.324***	.284
	(Sig. 2-tailed)	.042	.076
Time constraints	r	**.468****	.186
	(Sig. 2-tailed)	.002	.251
Threats to independence and objectivity	r	**.419****	.191
	(Sig. 2-tailed)	.007	.237

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

**** Correlation is significant at 0.01 level (2-tailed)**

Source: Author's own table (2025)

The results presented in Table 7 show that all three challenges encountered by state auditors have a statistically significant relationship with the level of financial audit quality. The findings suggest that as these challenges become more serious, the quality of financial audits tends to decline. This underscores the importance of addressing systemic and operational barriers to ensure the delivery of high-quality financial audits in the corporate government sector.

The study of Lou et al. (2018) emphasized the importance of maintaining ethical standards, demonstrating that a strong ethical commitment among auditors helps mitigate reduced audit quality behaviors—aligning with the current finding that threats to independence and objectivity ($r = .419$, $p = .007$) are significantly linked to audit quality concerns. Additionally, Abbas et al. (2020) documented how poor resource allocation contributes to corruption and undermines effective audit functions in Iraq's public sector. This complements the present study's observation that resource constraints ($r = .324$, $p = .042$) hinder the delivery of effective financial audits.

On the other hand, none of the challenges encountered by state auditors have a statistically significant relationship with the level of compliance audit quality. It can be inferred that compliance audits are more procedural or standardized in nature, allowing auditors to perform effectively despite the presence of constraints or external pressures. The study by Hardianti et al. (2022) showed that competence and integrity are more critical to audit quality than structural challenges like resource constraints, suggesting that internal auditor attributes outweigh external pressures, particularly in routine or compliance-based audits.

Therefore, H_a3 is partially accepted. There is a significant relationship between the seriousness of challenges and audit quality in financial audits, but no significant relationship was found in compliance audits.

Results and discussion

The results of this study indicate that audit quality in the corporate government sector of COA Regional Office No. 01 is perceived as very high by both auditors and auditees, with independence and objectivity consistently emerging as the strongest determinants. This aligns with previous studies emphasizing auditor independence and competence as the foundation of audit credibility and reliability (Colette & Lukman, 2024). However, adherence to public sector auditing standards received comparatively lower ratings due to operational constraints. Similar issues have been observed in the public sector, where resource and time limitations hinder the rigorous implementation of audit standards (Adams & Baker, 2017).

The findings also show that resource constraints and time pressures significantly affect financial audit quality, while compliance audits remain less affected due to their structured, criteria-driven nature. Moreover, the determinants of audit quality vary by audit type: adherence to standards is most critical for financial audits, while competence and expertise are more influential in compliance audits. Differences in perceptions between auditors and auditees further indicate that technical quality factors valued by auditors are not always visible to stakeholders.

The implication of the study is that strengthening adherence to public sector auditing standards is essential, which requires enhanced quality control procedures and the development of specialized training modules on audit planning, execution and reporting for both financial and compliance audits. The results also highlight the importance of addressing time and resource constraints through better manpower allocation, regular monitoring of the audit team's workload and providing guidance on technical challenges to ensure a higher overall audit quality.

This study was limited to the Corporate Government Sector of COA Regional Office No. 01. Future research could consider other COA Regional Offices and sectors to allow comparative analysis across regions and organizational types, and to enhance the generalizability of the findings. Further studies could focus on the perception gap between auditors and auditees. Exploring this could help explain why determinants perceived as important by state auditors do not always correlate with audit quality as perceived by auditees.

Conclusion

This study assessed the audit quality of financial and compliance audits in the Corporate Government Sector of COA Regional Office No. 01, focusing on key determinants and operational challenges. Overall audit quality was rated very high, with independence and objectivity consistently emerging as the strongest determinant. Adherence to public sector auditing standards was identified as an area needing reinforcement. Correlation analysis showed that adherence to public sector auditing standards significantly improved financial audit quality, while competence and expertise enhanced compliance audit quality, partially accepting H_a1. From the auditees' perspective, no determinant showed significant effects, thus, rejecting H_a2. Resource, time constraints, and threats to independence and objectivity were found to reduce financial audit quality but had no impact on compliance audit quality, partially accepting

H_a3. These results highlighted the need for stronger enforcement of standards, adequate resources, and continuous technical training to sustain high-quality audits in the corporate government sector.

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