THE IMPACT OF AVERAGE DURATION OF EXPERIENCE, DURATION OF ON-SITE AUDIT AND TEAM WORK ON MAGNITUDE OF ERRORS DETECTED IN FINANCIAL STATEMENTS: AN APPLICATION ON FINANCIAL AUDIT OF PUBLIC ADMINISTRATIONS BY THE TCA

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ABSTRACT

The purpose of this study is to evaluate the weight of the variables that affect the ratio of the financial statement errors detected during financial audit of public institutions to the budget size. As is known, there are several factors that have significant impact on implementation of audit tasks and forming audit opinions. The most important ones are *"the number of auditors in the audit team"*, *"the duration of on-site audit"* and *"average years of experience of the auditors in the audit team"*. These factors are closely associated with the expected audit results; in other words with the performance of the audit work. In this study, we drew on the results of the audits that were carried out by the Turkish Court of Accounts (TCA) in the years 2011 and 2012. The first result of the study indicates that there is no relationship between the number of auditors in the audit team and the ratio of the detected financial statement errors to the budget size. Secondly, it is found that there is a meaningful relationship between the duration of on-site audits and the ratio of financial statement errors to the budget size. Finally, the third and last finding indicates that there is a meaningful relationship between the average years of experience of the auditors and the ratio of the financial statement errors to the budget size.

Keywords: Financial statement error, the budget size of the audited institution, the number of auditors in the audit team, Duration of on-site audit, Average years of experience.

ORTALAMA DENEYİM SÜRESİ, YERİNDE DENETİM SÜRESİ VE EKİP ÇALIŞMASININ MALİ TABLOLARDA TESPİT EDİLEN HATALARIN BÜYÜKLÜĞÜ ÜZERİNDEKİ ETKİSİ: SAYIŞTAY TARAFINDAN KAMU İDARELERİNİN MALİ DENETİMİ ÜZERİNE BİR UYGULAMA

ÖZET

Bu çalışmanın amacı, kamu kurumlarının mali denetimi sırasında tespit edilen mali tablo hatalarının bütçe büyüklüğüne oranını etkileyen değişkenlerin ağırlıklarını değerlendirmektir. Bilindiği üzere, denetim görevlerinin yerine getirilmesi ve denetim

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görüşünün oluşturulmasında önemli etkiye sahip birçok faktör vardır. Bunlardan en önemlileri "*denetim ekibindeki denetçi sayısı*", "*yerinde denetim süresi*" ve "*ekipteki denetçilerin ortalama deneyim süresi*" olarak sıralanabilir. Bu faktörler, denetimden beklenen sonuçlarla, bir başka ifadeyle denetim çalışmasının performansıyla yakından ilişkilidir. Bu çalışmada Türk Sayıştayının 2011 ve 2012 yıllarında yaptığı denetimlerin sonuçlarından yararlanılmıştır. Çalışmadan çıkan sonuçlara göre ilk olarak; denetim ekibindeki denetçi sayısı ve tespit edilen mali tablo hatalarının bütçe büyüklüğüne oranı arasında anlamlı bir ilişki olmadığı görülmüştür. İkinci olarak; yerinde denetim süresi ve tespit edilen mali tablo hatalarının bütçe büyüklüğüne oranı arasında anlamlı bir ilişki olduğu görülmüştür. Üçüncü ve son olarak; ekipteki denetçilerin ortalama deneyim süresi ve tespit edilen mali tablo hatalarının bütçe büyüklüğüne oranı arasında anlamlı bir ilişki bulunmuştur.

Anahtar Kelimeler: Mali tablo hatası, Denetlenen kurumun bütçe büyüklüğü, Denetim ekibindeki denetçi sayısı, Yerinde denetim süresi, Ortalama deneyim süresi.

INTRODUCTION

It is only natural and absolute for the parliaments in democratic regimes to assure its people that public revenues, expenditures and goods are well administrated and public expenses which are mostly incurred upon taxes paid by the citizens are well placed (Altıntaş and Türkyener, 2012: 48-49). Such kind of assurance can only be provided by independent supreme audit institutions. These institutions ensure the effectiveness of public financial management through external audit of financial transactions of public institutions. Besides, it is certain that an effective external audit would bring about a more transparent and accountable public financial management. In the sense of implementations in Turkey, TCA is the only supreme audit institution to fulfill the aim of maintaining financial transparency and accountability in terms of use of public resources. This mission requires modern audit methods to be employed and is conducted in accordance with the internationally accepted audit standards.

TCA uses a significant amount of human resources in constituting opinions regarding the financial statements of audited institutions. The quality and quantity of human resources employed in the external audit activities are crucial to reach effective audit results. In this respect, sufficiency of the human resources allocated to the audit tasks in terms of quantity and experience and the way the audits are conducted (by audit teams, within the premises of the auditee) are important factors with regard to the effectiveness of the audit. Moreover, the most important indicator for effectiveness is to reach a mild level of difference between the expected and the actual results of the audit.

The purpose of this work which measures the variables affecting the performance of the audits carried out by the TCA is to find out the impact of the *"number of auditors in the team", "duration of on-site audit "* and *"average years*

of experience" which are among the factors that reduce the difference between the expected and actual outcome of the audit. This has been realized by examining the results of 30 different audits by the TCA conducted in 2011 and 2012.

1. LITERATURE REVIEW

Audit findings are based on results of audit activities that identify issues that management needs to address. In this regard, it is crucial to have audit findings which are well supported, clear, brief and factual in order to yield the expected impression. Audit findings should also be justified on criteria such as laws, regulations or agreements, present a cause and effect relationship and indicate the effect of the errors which are detected during audit activities. Furthermore, they should include guiding advice for the audited organizations so as to ensure quality (Lemaira and Oregan, 2012: 19). In order to reach audit findings that are clear, well supported, understandable and factual, the audit team and the auditors should have sufficient experience. In addition, the physical proximity to the audited institution (on-site audit) is of great importance for the reliability of the audit evidences. The appropriate in-team distribution of human resources is also an absolute must for an effective and efficient audit.

"Experience" is very important for the auditor for making accurate and reliable audit decisions. Shelton (1999), in his research based on the thesis which asserts that "while making audit decisions, experience which reduces the diluting effect of the irrelevant information that causes uncertainty regarding the audit decision has been ignored in researches so far", explored whether the effect of irrelevant information which causes uncertainty on the decision has different impacts on decision making processes of experienced and less experienced auditors, team leader and members of the audit team. According to the results, audit team senior (leader) or more experienced team members can make more accurate audit decisions when encountered irrelevant situations or situations those lead to uncertainty.

Abdolmohammadi and Wright (1987) presented evidences on importance of experience in making accurate audit decisions taking into account the fact that an audit task includes complex relationships. In their study, they separated the subject into two groups as experienced and less experienced auditors by considering the structured, semi-structured and unstructured assignments. Unstructured assignments are defined as unidentified ones without any manual which therefore entirely require judgment and foresight. Structured assignments are defined as the ones having definite beginning and ending with a certain procedure but which do not require much judgment. Semi-structured assignments are defined as partially identified ones with a manual. As another result of their study, they concluded that the less experienced auditors have more difficulty in making appropriate

audit decisions in cases of assignment uncertainty (meaning unstructured or semi-structured assignments). The same results do not apply to more experienced auditors and the audit team leader. In conclusion, auditors have more difficulty in assignments without manuals or certain audit procedures, compared to auditors with more experience.

DeZoort and Salterio (2001) in their research based on the thesis that "the interest in the audit committees which are parts of the whole management have increased lately, with an emphasis on the level of independency, experience and knowledge of the members", tried to determine whether the managerial experience and knowledge level on audit and financial reporting of the audit committee members have an effect on their decision making process in cases of disagreement or uncertainty. As a result, they have figured out that the vast knowledge of the independent team leader that has been built up on past experience is connected with the support given to the auditors who care for the core of the assignment when the members of the high audit committee disagree with the client company. In other words, even if there is an experienced auditor in the audit team, his/her decisions would be meaningful only if the audit committee regards them noteworthy. However, they also pointed out that if both are simultaneously experienced, the audit committee manager and a senior executive of the organization together constitute a strong source of support in terms of facilitating management. As a result, with these findings, they proved that the audit committees consist of completely independent directors and in case of disagreements between the manager and the auditor, the interest of the auditors that vary in terms of their knowledge levels cause systematic differences on the judgment of the audit committee members.

Libby and Frederick (1990) searched whether experience related differences have an effect on the effectiveness and efficiency of the audit decisions of the auditor about the financial statement errors. Three different results were found. Firstly, useful information gained through past experience increases the number of reasonable and accessible mistakes in the memory as this would make it easier for the auditor to sense the mistake earlier. Secondly, experiential knowledge would enable better understanding of the possible explanations regarding the information on occurrence frequency. A third outcome of the research is that the useful knowledge accumulated through past experience increases the knowledge accumulation regarding transaction processes. All of these results underline the necessity for more experienced auditors in the audit teams in order to make more accurate audit decisions.

Bonner and Walker (1994) have explored the effect of audit structure and experience on acquisition of audit knowledge. In their study, they focused on the necessity of knowledge gained through past experience for analyzing the audit plan that shows the path and method to be implemented during the audit. They concluded that a case, in which a deficiency in the audit structure together with inexperience in auditing occurs or there is absence of a feedback mechanism in the implementation of the plan, would not provide effective audit information in an audit practice. It was also presented in the research that activities with an explanatory feedback and a correctly crafted audit structure would be helpful in acquiring effective audit evidences. Apart from this, it is pointed out that even though explanatory feedback process makes positive contributions to the audit information, it requires long time spans and increases the need for qualified staff.

Bonner (1990) explored the effect of experience on audit decisions. In the research, Bonner stated that the knowledge originating from previously completed assignments help experienced auditors in making their audit decisions. As a result of the research, it was found out that the help in question is realized both in collection of evidences that form the basis for the audit findings and analytical risk evaluation based on informatics or evidence. To put it more explicitly, experienced auditors can make more accurate audit decisions while both collecting evidence and making analytical risk evaluations.

Wright and Wright (1997) have explored the possible effect of experience gained in the industry on the development of the hypotheses that specify the research subject and the audit plan that lays out the audit method. As a result, they found that the industry experience increases the auditor capacity significantly in developing hypotheses that specify the research subject and in determining audit findings. They also found that the industry experience does not have a direct effect on evaluating the risks that lead to possible errors or revising the audit plan during the audit.

It has been emphasized in the researches that experience plays an important role in reaching effective and correct audit judgment and due to experience, auditors are more successful in the audit of related sector or line of business. That is, the professional experience of the auditors or the average experience level of the audit team would make it easier to make difficult decisions for the audit and provide more effective audit results that would be reached through audit findings.

Another important factor in determining the effectiveness of the audit results is team work. Factors such as the complexity of the structures and processes of the audited institutions or companies, technical requirements and the necessity for different viewpoints regarding decisions have brought about the need for team work. According to the Standard 99 published by the American Institute of CPAs (AICPA),

audits are conducted in every field and brain storming is a necessity in effective auditing. Accordingly, team members should possess the collective researcher quality in determining whether the financial statements include errors due to corruption and other irregularities, if they do, in what ways those are observed and the approach by the management to corruption allegations. The Standard 315 of the International Federation of Accountants (IFAC) includes similar regulations. Besides, there are different types within the standards about team work practice. These can be stated as interaction groups (both via informatics and face to face), different brain storming groups (round table, open, etc.) and other techniques (Mental simulation) (Trotman et al., 2009: 1116).

Solomon (1982) explored the evaluation of possibilities that can lead to errors in financial statements that are encountered during audits both individually and as a team. In the research, the relationship between subjective priority possibility distributions and financial statement audit results is evaluated with regard to their conduct by individual auditor or audit team. Some of the resulting evidence suggested that the best audit team performance is in direct proportion to the individual auditor performance. However, it was concluded that it is impossible to determine which one yields better performance in terms of evaluation of subjective priority possibility distributions and reaching financial statement errors. As a result, the research had a number of productive extensions. Nevertheless, the current study and the former studies presented the fact that team work is more important in subjective priority possibility distributions evaluation and reaching financial statement errors. The cost of this evaluation made by the team is probably higher than the individual one. Within this framework, it is another factor suggested in the study to lay out the cost-benefit analysis.

Bamber (1983), in his research on expertise in the audit team, took into account the source reliability approach in auditing. According to this approach, the reliability of the messager is important for the acceptance of the message. In other words, the more the tendency of a source towards more expertise and less prejudice the more it is reliable. In this regard, the reliability of the audit decisions would be increased if the members of the team are perceived as more expert and objective. In this study, the susceptibility of the audit team manager to the audit judgments of the inexperienced auditors and the audit team leader's reliance to audit decisions is questioned. The model shows that small variations in source reliability could have an effect on the deductive value of information. The study results indicated that the judgment of the audit team manager is more susceptible to source reliability manipulation and that most of the managers reduce excessive information acquisition in order to reduce the reliability of the source.

Wangcharoendate and Ussahawanitchakit (2009) studied the relationship between the effectiveness of the activities of the internal audit team and the

measurement of the audit results. In the study, the effect of the business circle in which the audit activities are carried out on the internal audit function and internal audit team outputs were examined. The most striking result of the study is that sharing information, participation in the project and interaction between people has a positive effect on the economy of the resource management. This also creates a mild effect on the business circle. However, there is no observed effect of shared information, participation in project or interaction between people on holistic planning or in-team agreements. As a result, it was emphasized that rather than a negative approach, corporate trust and perceived corporate support is an important function for the auditors to perceive the internal audit as adequate and positive.

In terms of effectiveness of the audit, the physical proximity to the audited subject or process (audit on site) is important. On one hand there is an audit based solely on document without seeing what is being audited while on the other an audit based on observing the processes or business at first hand on site. It is without doubt that audit on site would affect the effectiveness of the audit.

According to Adams (1999), audit on site is at the core of the effective quality assurance of the audit carried out by the auditors on the venue of data collection. However, if the resources are scarce for the auditors then the situation would be uncertain in terms of quality assurance. In such a situation it is suggested that only one auditor is sent to the proposed site. In addition to this, the reason why the audit has to be carried out by more than one auditor is based on certain points.

These are;

-One auditor would be insufficient if the transactions include complex processes. In such a case different auditors with different skills would be advantageous.

-Some activities would have to take place in different physical areas and therefore would require a division of labor amongst the auditors.

- Despite positive perception of assigning only one auditor for an audit task, multiple auditors assigned to an audit on site would be more cost-efficient in the long run.

-Assigning more auditors increases the reliability of the audit and could serve as a safety mechanism against offers of misuse.

Cahill (2007b) stated that every audit includes three elements. These are pre-audit checks, on-site auditing activities, post-auditing reporting and following processes. In the beginning of the audit and prior to the on-site audits, the leader of the audit team attaches more importance to the planning phase of the audit. In the course of on-site audits, it is expected of the trained and experienced auditors to

evaluate the audit site effectively. In most cases this expectation is met. Independent observations on most audits have shown us that on-site auditing is the strong side of the audit activities.

Delis and Staikouras (2011) explored the effectiveness of audit in terms of auditing on site and sanctions and how this effectiveness affects the bank risk level that are determined in terms of bank portfolios. The study showed that there is a relationship between on-site auditing and the identified bank risks in the shape of a reverse "U". In other words, the effect of on-site audit applications on various bank risk checks is not linear. In this case, it can be said that the reverse "U" model is valid; meaning that on-site auditing at certain rates contributes positively to reaching bank risks. Also, if audit firms design better planning for on-site audits, they would increase their current performance rapidly.

2. GENERAL FRAMEWORK

TCA has an important role in maintaining the efficiency of public financial management and meeting the requirements of responsibilities for transparency and accountability. The ability of the TCA to make reliable and timely evaluations and inform the public and the parliament accurately is closely related to the healthy operation of the financial system and accurate recording and presentation of the information yielded by the evaluations. In this regard, according to the related laws, external audit is made up in two basic frameworks as regularity audit which covers financial audit, compliance audit and audit of financial management and control and performance audit that involves measurement of activity results concerning pre-determined goals and indicators.

Financial statement errors, namely audit findings which are at the numerator of the dependent variable of our study are important part of the regularity audit. In regard to the regulation concerning the audit by the TCA, the regularity audit is;

- Determining whether the revenues, expenditures and assets of public administrations and accounts and transactions pertaining to those are in compliance with laws and other legal arrangements,

- Evaluating financial reports and statements of public administrations all kind of supporting and required documents and giving opinion on their reliability and accuracy

- Assessing financial management and internal control systems.

Naturally, the regularity audit reports which would be compiled by the TCA would include evaluations on these points. In other words, inadequacies in financial statements, accounting system, internal control system and legality would take an

important part in the audit reports. Within this framework, the dependent variable of our research is the ratio of financial statement and accounting errors that are found during the audits by the TCA throughout the year to the budget size.

Dependent Variable (Financial Statement Error/Budget Size)

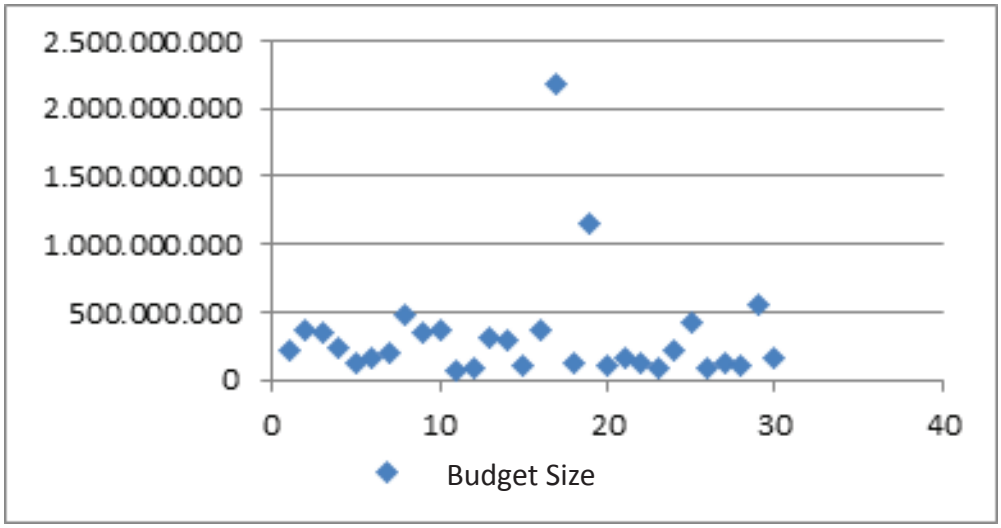
The reason why budget size is the denominator of the dependent variable is because the randomly chosen auditees in the research are mostly expending institutions. In addition to this, budget size is important in presenting an opinion about the financial statements of the audited institutions. In other words, it is used in determining the level of materiality.

Materiality can be defined as the potential effect level of the financial statement errors and inadequacies on the users' decisive action. If the inaccurate declarations in the financial statements are so important as to cause mispresentation then it is accepted that the statements are misleading. Likewise, an auditor must identify the mistakes that would affect the logical decision of the financial statement users in monetary terms. This is known as materiality level (Erdoğan, 2006: 50). Materiality, at the same time, is the findings of the auditor about the tolerance level of the people interested in financial statements about the financial statement errors. In other words, it gives us the extent to which financial statement errors are deemed insignificant by financial statement users such as the parliament, citizens and other relevant people. The auditor's goal is to present an audit opinion at a moderate assurance level of %95 which states that the audited institution's financial statements do not include errors that are above materiality level.

3. METHODOLOGY

The research is made up of audits conducted by the TCA in the years 2011 and 2012, interviews and polls with the auditors. The institutions and budget sizes were chosen completely randomly. On the other hand, the analysis process is carried out in accordance with the statements of the audit team leaders. In the research, the variables that affect the ratio of financial statement errors that are identified in the audits in 2011 and 2012 to the budget size were examined and the effect in question was analyzed using regression analysis. 30 of the audits carried out in local and private budget administrations in 2011 and 2012 were chosen as samples. Due to structural problems in the financial statements of the administrations within general budget, these institutions were not included in the research. The budget sizes of the institutions that are sampled are as follows:

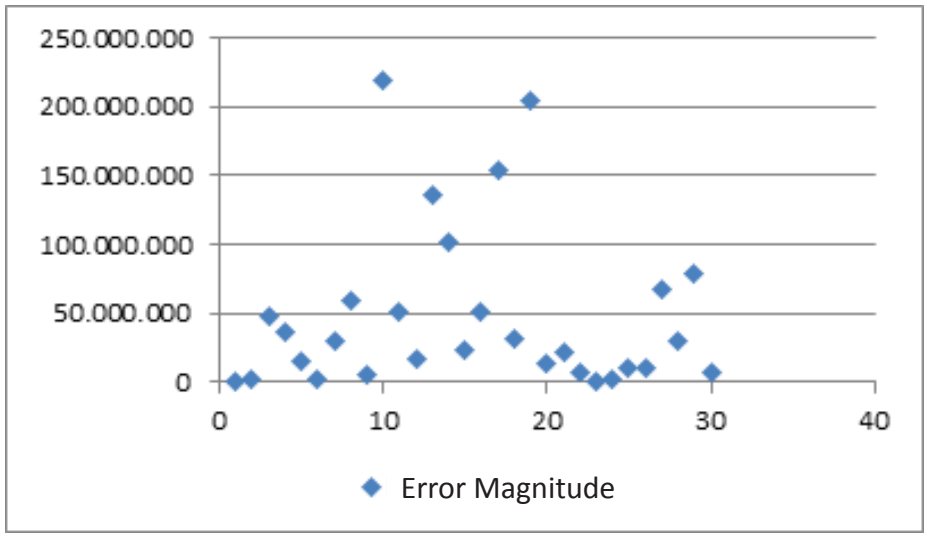
Figure 1. The Figure of Distribution of the Sample Budget Sizes



According to the table, there is one institution with a budget size of 2.000.000.000-TL. Likewise, one institution has a budget size between 1.000.000.000-TL and 2.000.000.000-TL. Budget sizes of all other institutions are below 500.000.000-TL. The percentage of distribution here shows that the budget sizes of the sample institutions are homogeneous.

Financial statement errors identified in 2011 and 2012 are distributed as such; (Errors regarding public loss are ignored since they become subject of trial in the following years, even though these findings are related to financial statements).

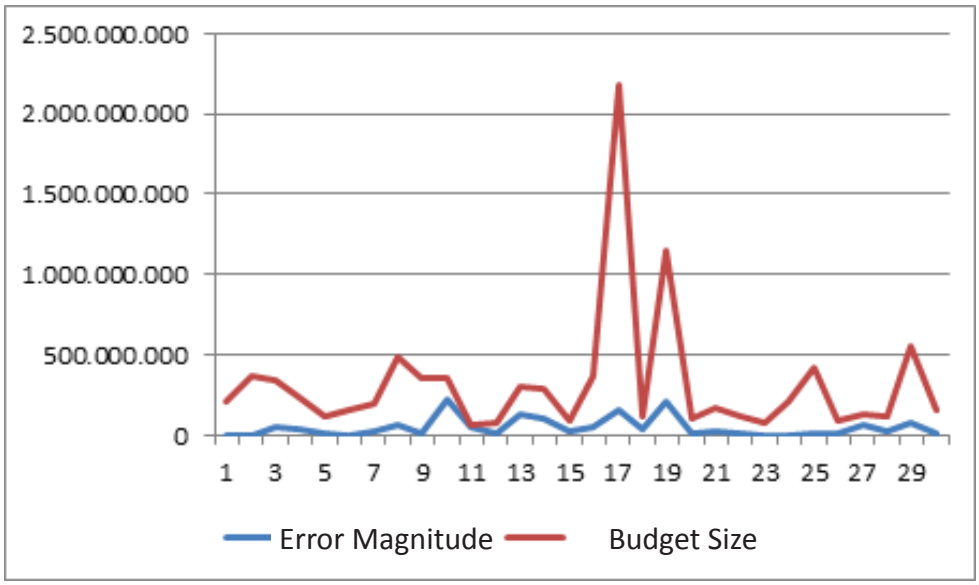
Figure 2.The Figure of Distribution of the Sample Error Magnitude



According to Figure 2, the identified financial statement and accounting errors in 2 institutions are above 200.000.000-TL. The number of institutions with financial statement errors between 200.000.000-TL and 100.000.000-TL is 3. The sum of identified error magnitude in the other 25 institutions is below 100.000.000-TL, with the highest amount below 50.000.000-TL.

Within this aspect, the figure of budget sizes and financial statement errors of the related institutions audited in 2011 and 2012 is as follows.

Figure 3. 2011 and 2012 Audits Error Magnitude and Budget Sizes



As can be seen in Figure 3, there is a connection between the identified financial statement errors and the budget sizes of the audited institutions. However, while this connection is lost in some institutions it has remained at low levels in the others. The connection between budget size and the identified errors is lost in the institutions 17 and 19 (local administrations). This shows that the said institutions have budget sizes much bigger than the others. This can be interpreted either as institutions with much bigger budgets are prone to less financial statement errors or as time and human resource inadequacy in the audit. As for institutions 25 and 26, while budget sizes are high, the identified errors are almost the same.

3.1. Explanatory Variables

In the research, the factors that were thought to be most explanatory in terms of explaining the error magnitude and taken into account most seriously in the literature were chosen as explanatory variables. These are; Number of Auditors (NA), Duration of Audit On-site (DA) and Professional Experience (PE).

The explanatory statistics that were compiled from the results of the audit of 30 institutions (samples) are given below:

Figure 4. Explanatory Statistics

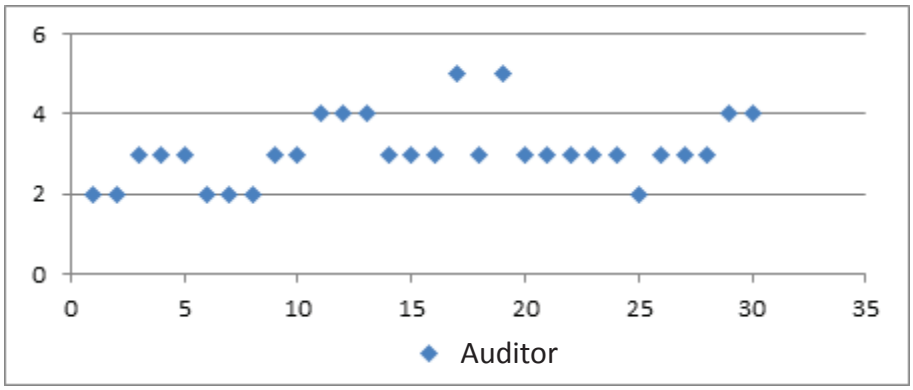
	Error Magnitude	Budget Size	Error Magnitude/ Budget Size Ratio	Number of Auditors	Audit on Site Time	Average Professional Experience
Average	48.030.754	321.102.416	0,19	3,10	48,60	8,29
Standard Error	10.819.128	74.980.974	0,04	0,15	4,90	0,45
Median	26.907.223	202.944.363	0,14	3,00	41,00	7,58
Standard Deviation	59.258.804	410.687.709	0,20	0,80	26,85	2,49
Kurtosis	2,54	15,07	3,86	0,55	6,35	1,00
Skewness	1,78	3,65	1,88	0,67	2,10	1,26
Interval	219.525.766	2.116.003.995	0,85	3,00	135,00	10,00
Maximum	257.635	59.751.017	0,00	2,00	15,00	15,00
Minimum	219.783.401	2.175.755.012	0,86	5,00	150,00	5,00

Explanations regarding the chosen variables are given below.

-**Number of Auditors (NA)**

The audits under responsibility of the TCA are carried out by audit teams. The audit teams are organized with regard to the size of the institution to be audited and they can conduct audit activities in multiple public institutions concurrently. The distribution of team members assigned to the audit activities in 30 selected institutions is as follows:

Figure 5. Number of Auditors Distribution Figure



According to Figure 5, the number of auditors assigned to the audit of selected 30 institutions are minimum 2 and maximum 5. As can be seen in the figure most teams are made up of 3 people. This also enables us to make deductions about the budget sizes of the audited institutions. According to this, out of 30 institutions, most possess similar budget sizes.

-Duration of Audit On-Site (DA)

Duration of audit on-site is a concept directly related to execution of audit activities within the own facilities of the audited institution. This contributes to the audit results significantly since it eases access to the institutional information and the materials being audited. The auditor can observe the operations affecting financial statements momentarily and reach audit findings in a shorter time. This takes longer time in the audits carried out at the headquarters and stands out as the most important obstacle in reaching audit materials. The distribution of on-site audit duration in 30 institutions is as follows.

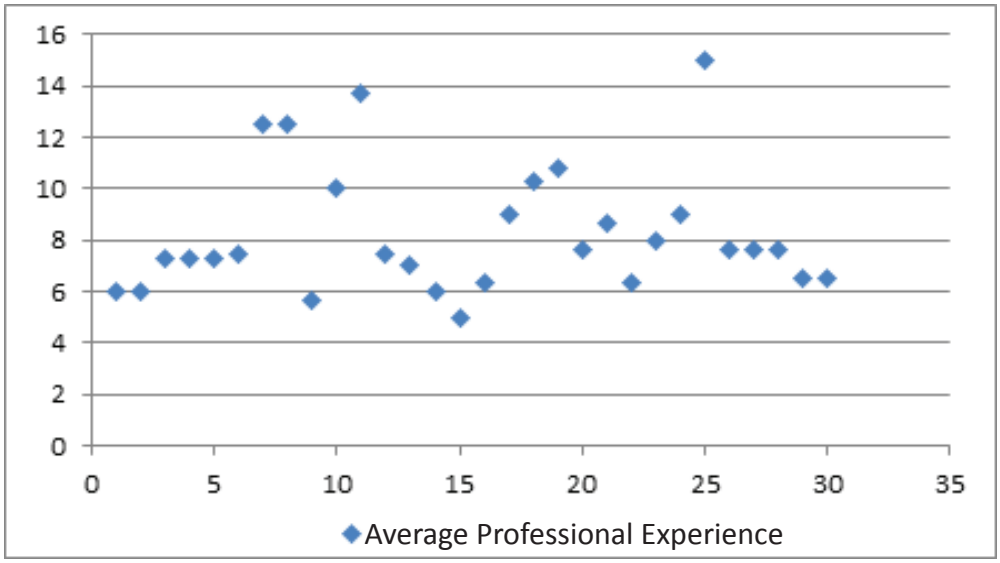
Figure 6. Distribution of Duration of Audit On-Site

Figure 6 shows that there is only one institution with an on-site audit duration less than 20 days. Likewise, there are institutions each with on-site audit durations more than 140 days and 100 days. In the other 27 institutions audits took place within periods varying from 20 to 80 days. The terms that are intense in terms of audit on-site duration are between 25 and 45 days. Therefore, while the duration of audit on site is related to budget size there is no linear relationship.

-Average Professional Experience (APE)

Professional experience is, by the simplest definition, the acquired knowledge, experience and cultivation gained along the time spent in the profession. According to the relevant literature, it is normally expected from an auditor with professional experience to make more moderate and accurate decisions compared with an auditor with less professional experience. The distribution of the sum of average years of professional experience of the audit teams that involved in the audit activities subject to our research is given below.

Figure 7. Average Professional Experience Distribution



According to Figure 7, there is an audit team with average professional experience of more than 14 years. The lowest average professional experience time is higher than 4 years. While there are 3 audit teams with years of experience between 12 and 14 years, the average professional experience of the teams vary between 6 and 8 years mostly. This means that, the average professional experience of the teams are low. In other words, most of the teams have a medium level of average professional experience.

3.2. Hypotheses

-The Effect of Number of People in the Audit Team on Detecting Errors in Financial Audit

Generally audits are carried out by teams that have expertise in different fields. In this regard each team must have knowledge about audit areas, goals and

processes. Besides, each member of the audit team determining own audit area well and having knowledge about previous audits, audit procedures and reports is important for a successful audit. Also, having knowledge about the general or specific regulations binding the audited institution, plans, programs and manuals are helpful in reaching correct audit judgment (Cahill, 2007a, 29). The audit team is made up of more than one couple of eyes that look at the same problem. It is therefore important in providing more than one viewpoint about the problems encountered. The members of the team are individuals with different education and professional backgrounds that would make the difference in approaching the problem (Adams, 1999: 198). In this regard, auditing with more than one person would make the audit decisions more effective. In another regard, the self-development of the auditors and the avoidance of making repeated mistakes is a product of team work.

H1: As the number of people in the audit team increases the amount of errors found in financial statements increases.

-The Effect of Duration of Audit on-Site on Errors in Financial Audit.

On-site audit activities provide the auditor with the opportunity of reflecting the identified risks more directly and reaching data, related people and budget processes faster compared to routine audit work. Moreover, it provides the auditors with the opportunity of examining the administration's gaps in short time and validating the quality of the internal control system and the accuracy of the information produced by the institution independently. Also, since the faults in the system can be eliminated more easily with the audit on site approach, the system's stability would be ensured (Delis and Staikouras, 2011, 511). The observations regarding independent audit have shown us the typical strong sides of audit on-site. Yet, it is another known fact that the audits on-site take shorter time than they are supposed to. The most important problems in the literature regarding audit on-site are listed as bad time management, irrationalities in interviewing, observation and audits, keeping records improperly and communication deficiencies (Cahill, 2007a: 4). In on-site audits, the audit team leader allocates responsibilities to every team member including assistant auditors, based on audit priorities. In order for the audit to yield more effective results, it is important to make this kind of planning at the beginning of the on-site audit. Thus, besides the advantage of the audit on-site, audit areas that are divided under certain topics would be audited by the auditors that are experts in their own fields (Cahill, 2007a: 28). Such an on-site audit would yield positive results in terms of reaching effective and successful judgments and identifying internal control inadequacies.

H2: As the duration of audit on-site increases, the rate of errors found in financial statements increases.

- The Effect of Professional Experience on Errors Found in Financial Audit

There are two audit levels regarding the decision on the differences about professional experience's effect on performance. If there are two works which are similar in character but require different analytical procedures and control risk evaluation knowledge, these are used to control the effects of the difference of subject as an extra feature rather than information. Thus, this is again related to experience, skill of judgment and subjectivity (Bonner, 1990:76).

Experience being important, it is also responsible for hiding the deficiencies resulting from knowledge and eliminating confusion in case of information chaos. In a research on this subject, two tasks, small and big, are carried out by experienced and inexperienced auditors. While a similarity that is similar to other differences regarding experience was expected a difference in interpretation emerges. In other words, perhaps general skills and personal differences have the real effect on works requiring experience. As a result, it was concluded that the performance in works connected with experience is based on the knowledge difference resulting from experience (Bonner, 1990: 76). Besides this, bearing in mind the mission of audit results and facts being corrective in the auditee, it can be said that experience is important in constituting the audit findings.

H3: As the total average professional experience of the audit team increases, the errors found in financial statements increase.

3.3. Analysis and Results

As a result of the regression analysis made by using the variables explained above, the model below is found.

$$HO = 0{,}1489 - 0{,}0595 * DS - 0{,}0025 * YDS + 0{,}0139 * MT + 0{,}1654$$

(0,3064) (0,2879) (0,0217) (0,0040)

In order to conduct an independent research and lay out the facts, interviews with the team leaders and team members who carried out audits in the 30 institutions selected as samples were employed. For each hypothesis, the research was carried on bearing in mind the approach of each team and the results they reached through real data. The values under the coefficient guesses show p probability value. According to this, on-site audit duration (DA) and professional experience (PE) variables lay out a meaningful effect in explaining the error rate (HO). R square which is the explanatory power of the model and adjusted R square are calculated as 37% and 30% respectively. The model's explanatory power is considered sufficient when the factors chosen as explanatory variables and the fact that there are many factors that affect the ratio of the size of financial statement errors found in the audit to the budget size of the auditee are taken into consideration.

The Effect of Number of People in the Audit Team (H1)

As it could be remembered, (H1) posits that the number of people in the audit team would affect the number of audit findings positively by providing different viewpoints on different problems that could be faced during audit. However, since ($p>0.05$), we did not result in a meaningful conclusion regarding the connection between the number of people in the audit team and the financial statement errors at a trust rate of 95%. The result can be interpreted as follows. As known, financial statement errors are errors that would possibly be unearthed during legality, internal control, financial statement and accounting auditing encompassed by regularity audits. Besides, those findings can also be reached at the beginning of the audit, along the audit year and even after the financial statements are made up, via auditing programs and financial analysis. Moreover, these identifications can be made by an auditor who is more expertized on accounting regardless of the number of people in the audit team. Therefore, an assertion which claims that irrelation between the financial statement and accounting errors and the number of auditors results in meaningless conclusions would be inappropriate. Likewise, prior research, by a majority, includes hypothesis which posit that the number of auditors provides various viewpoints regarding the execution of the audit and making decision.

The Effect of Duration of Audit on Site (H2)

In the second hypothesis, it was claimed that auditing on site increased the amount of identified financial statement errors. Since ($p<0.05$) regarding this hypothesis, there is a meaningful connection between duration of on-site audit and financial statement errors found as a result of the audit. While the goals regarding financial statement audit are accomplished, not only analysis by computer programs are made but also investigation on whether financial data are precisely reflected on financial statements during on-site audits is conducted. In other words, it is possible to pick out the differences between the factual situation and the situation on records. Therefore, the increase in time spent on audit on-site can increase the number of errors found by decreasing the time pressure of the auditor's decision making process and providing easier reach of audit resources.

The Effect of Average Professional Experience (H3)

The third hypothesis was that the audit on site increased the total value of financial statement errors found as a result of the financial audit. Since ($p<0.05$) regarding this hypothesis, there is a meaningful connection between the average professional experience and the financial statement errors that are found. In the audits carried out with the purpose of reassuring financial statements, the professional knowledge, experience and cultivation based on professing is important in making decisions about execution of the audit and possessing judgment that would be effective in constituting an audit judgment. In activities such as knowing

the past and present and financial and accounting system of the audited institution, the experience acquired so far would contribute to the audit team in terms of effective conduct of the audit and making correct audit judgment. Therefore, in respect of this result, the research shows similarities to the results of the previous literature research.

GENERAL EVALUATION

The aim of this study in which the variables that have significant impact on the effectiveness of the financial audit of public institutions is to lay out an empirical study regarding audit results and audit performance. Among the variables that affect the audit results; "duration of audit on-site", "average years of professional experience" and "number of people in the audit team" which are thought to be the most meaningful were selected and data regarding 30 audit activities carried out by the TCA were collected from the auditors via questionnaires and quantified results were reached. The audits that were used to collect data were identified by using random methods among the activities of the TCA in 2011 and 2012.

The audit findings, which are the dependent variables of our study, are the financial statement errors, which can be validated in a short time following the audit end. In other words, the financial statement errors that are the dividend of the dependent variable do not include the transactions that are against the law or public benefit. The reason for this is the difficulties in making the value determination of the errors that cause illegality or public loss in short term. Also, another reason is that final judgment regarding transactions that cause public loss are subject to legal procedures that encompass a few terms. The budget size in the denominator of the dependent variable is the size of the budget expenditures within the financial year subject to audit. The reason why this is chosen as a variable is closely related to the opinion that would be presented about the public institutions' financial statements at the end of the audit.

Various findings were discovered as a result of this study. The first one of these findings is that there is no connection between the number of auditors in the audit team and the ratio of the detected financial statement errors to budget size. In other words, there is no connection between the dependent variable and the independent variable. Another finding is that there is a meaningful relation between the average years of experience of the members of the audit team and the ratio of the amount of financial statement errors discovered to budget size. Lastly, it is found out that there is a meaningful connection between the duration of audit on-site and the ratio of financial statement errors to budget size. According to this, there is a meaningful connection between duration of audit on-site and the experience of the audit team and the output of the audits.

To conclude, researchers can reach more comprehensive results by analyzing other factors that affect audit performance in further studies. The results of this study present sufficient evidence for the set independent variables in explaining the dependent variable and the auditor's risk perception, knowledge level and ability to do effective planning are also factors with high potential of effecting the audit performance.

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