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Setbacks for the Effectiveness and Efficiency of Internal Audits in Local Government Authorities in Tanzania

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ABSTRACT

Financial scandals in some local government authorities in Tanzania and the effectiveness of internal audit in mitigating such scandals have become an area of interest for both policy makers and the professions. This study assessed the setbacks for the Effectiveness and Efficiency of Internal Audits in Local Government Authorities in Tanzania; the case of Morogoro Region. Data was collected from 200 respondents in six District Councils from the departments of administration, procurement, planning, finance and auditing. The study employed a sampling method in gathering data. Data was descriptively analysed by SSSP and multiple data were analysed by Regression analysis in determining the association between the effectiveness and efficiency of the internal audits in local government authorities and four main factors. Results reveal that internal audit effectiveness and efficiency is hindered by; lack of independence of internal audit, lack of competence of internal auditors, little management support to internal auditors, and lack of relationship between internal auditors and external auditors. The study further indicates size and mixture of professions of internal auditors is the determinant that hinder the effectiveness and efficiency of internal audits in local government authorities in Tanzania. The study contributes to existing body of knowledge in internal audit literatures by providing useful information to both professionals and academicians who are eager in identifying setbacks for the internal audit effectiveness and efficiency in local government authorities in Tanzania.

Key Words: *Internal auditing, Audit effectiveness and efficiency, Local Government Authorities*

1.0 Introduction

Internal audit functions in Tanzania local government authorities context is a recent phenomenon that was established in 1994. Numerous reforms in public sectors brought to lime light the importance of internal auditing in enhancing corporate governance mechanisms in public sectors. According to Diamond (2002), internal audit reviews compliance with the existing government financial regulations, instructions and procedures, evaluates the effectiveness of the internal control systems, appraises the economy and effectiveness with which financial and other resources are being used. In public sectors, internal audit practices help institutions in ensuring accountability and integrity, improves the execution of programs and develops a sense of trust and confidence among citizens and stakeholders (Dozie et al., 2019). Therefore, Internal Audit has become a value creator for improving the effectiveness of risk management, control and governance systems (Bou-Raad 2000; Roth 2003; Hass et al. 2006; Cohen et al. 2010).

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve organization's operations. It helps organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." (Institute of Internal Auditors 2004). Internal auditors have become an essential monitoring mechanism in corporate governance along with the external auditor, audit committee, and executive management (Gramling et al. 2004). Internal Audit aims at assisting organizations in achieving their objectives (Roth 2003; Hass et al. 2006). For this purpose, Internal Audit performs wide variety of activities in the form of assurance and, or consulting services. First, it provides assurance that the organization's systems of controls are designed properly and operate effectively. Second, it acts as a management consultant in improving risk management (Spira & Page 2003). Third, it assists the audit committee and external auditors in monitoring the internal control system (Goodwin 2003). Fourth, it reduces fraud, misappropriation of assets and misreport financial information (Coram et al. 2008). Briefly, internal audit function (IAF) is a cornerstone of corporate governance, which contributes to improving the productivity, efficiency and performance of the organisations (Mihret et al. 2010; Gros et al. 2016). In the light of the evolution of internal audit, a new concept began to have a particular attention in the audit literature; it is the effectiveness and efficiency of Internal Audits. Indeed, being effective and efficiency is the challenge that Internal Audits should successfully overcome to be the key component of good governance. In this context, it is important to explain the

concept of Internal Audit effectiveness and identify critical factors that contribute to creation of “added value” of Internal Audits. Therefore, this study aims to investigate setbacks that hinders Internal Audit effectiveness and efficiency in Tanzania local government authorities.

1.1 Internal auditing in Tanzania local government authorities context

Tanzania is among the six developing countries forming the East African Community. Administratively Tanzania is divided into three pillars namely the Executives, the Parliament and the Judiciary. The executive is further divided into central and local governments for easy provision of services to the entire community. From regulatory point of view, the external auditing is strictly controlled and regulated. In Tanzania, the establishment and maintenance of an effective and efficiency internal audit unit (IAU) is a legal requirement. Section 28 of the Public Finance Act (2001) require Accounting Officers to establish effective and efficiency Internal Audit Unit throughout the Ministry, Department or Agency or other reporting units as the case may be. Specific for Local Government Authorities, the Local Government Finance Act, Chapter 290 [RE, 2019] stipulates this requirement too. While the mentioned section in the Local Government Finance Act gave a narrow stipulation of Internal Audit Function scope of work (i.e. only on audit of accounts), the Local Authority Financial Memorandum (LAFM) of 2009, Order Number 13 expanded this scope to include how the Internal Audit Units would work in coordination with heads of departments within the council, including direct reporting line to the Accounting Officer. The development of Internal Audits in Tanzania public sectors is maintained by the Internal Auditor General Division (IAG) that strengthen the Internal Audit unit in the public sectors (Finance Act, 2004) in collaboration with the Institute of Internal Auditors (IIA) and the National Board of Accountants and Auditors (NBAA).

1.2 Background

In Tanzania, the establishment and maintenance of an effective and efficiency internal audit units (IAU) is a legal requirement. Section 28 of the Public Finance Act 2001 (RE 2019) requires every Accounting Officer to establish an effective and efficiency Internal Audit Unit throughout the Ministry, Department or Agency or other reporting units as the case may be. Specific for LGAs, the Local Government Finance Act, Chapter 290 [RE, 2019] stipulates this requirement too. While the mentioned section in the Local Government Finance Act gave a narrow stipulation of Internal audit unit scope of work (i.e., only audit of accounts), the Local Authority Financial Memorandum (LAFM) of 2009, Order Number 13 expanded this scope to include how the Internal audit unit would work including the reporting line to the Accounting Officer and other top managements.

Good governance has been the area of concentration by the Government and development partners. The substantial amount of funds is directed to LGAs for implementation of various development projects. Therefore, internal audit becomes an important unit in assuring proper use of the disbursed fund for delivery of the quality required outcome to the public. Internal audit function (IAF) is therefore an important component of governance in the public sector. Moreover, there has been consistent and growing concerns with regard to efficient and transparent public financial management, especially in government entities (Onumah, J.M. & Yao Kraah, R. (2012). Recent scandals of un-banked TZS 19.72 billion of monies collected from various sources by local government authorities, loss of TZS 28 Billion of revenues from improperly and unauthorized adjustments of transactions in Revenues collection information systems made by local government authorities by not observing laid down guidelines that indicate possibilities of misappropriations of public funds, the missing of supporting documents for payment of TZS 1.37 billion (Annual General Report of the Controller and Auditor General for the Local Government Authorities, 2020-2021).

Furthermore, the alleged fraudulent compensations of TZS 2.16 billion paid to residents to pave way for the construction of Dar es Salaam Metropolitan Development projects (Annual General Report of the Controller and Auditor General for the Local Government Authorities, GR/LGA/2020/2021), and the financial scandals in most Government-entities in Tanzania attest to the fact that there are ineffectiveness and inefficiency of their internal audits. The attention is now on the auditors' awareness and independence to implement the Internal Audits to capture the effectiveness of the control of the public funds to benefit the public (Kinyua, 2016). Promoting effective IA is increasingly needed to manage and monitor government financial resources for it to successfully fulfil its goals of serving the entire public (Aikins, 2011). Internal audit is essential to govern the financial resources through various audit functions and dimensions (Kamau, 2014). However, studies on the effectiveness and efficiency of the internal audit have not always been consistent. This is apparent in developing countries, like Tanzania where organizations have not paid due consideration in internal audit concepts and practices (Njunwa, 2013). The consideration of IA in many of the developing countries is still with myriad challenges in the system, department and ability to accomplish IA independently in the right and effective way. The internal audit is specifically directed to advice, counsel, facilitate, process, design, and training (Khamis, 2016).

Tanzania being one of the developing countries, highly requires effective and efficiency internal audit as it is determined to move into a middle-income country by 2025. Therefore, there is a need for effective and efficiency IA that will reduce shortcomings in the public entities. IA is an important element to sustain the role of government oversight, insight, and foresight once it operates in an effective and efficient manner and with management support (Sigalla, 2009). Tanzania Government established the Internal Auditor General division to strengthen the Internal Audit unit in the public

sector. (Finance Act, 2004). Internal audit is an independent, free, advisory system developed to improve the organization's activities and add value to the organization (Badara, 2012). Though the importance of the internal audit is emphasized and Tanzania has positively responded by establishing the internal audit general office, the literatures available do not inform the factors affecting the effectiveness and efficiency of the internal audit functioning and the way to attain its objectives independently (Cooksey and Kikula, 2013). This study was, therefore, set to examine the factors that limit the effectiveness and efficiency of internal audit in local government authorities in Tanzania.

1.4 Why Internal auditing?

According to the International Professional Practices Framework (IPPF) and the Information Technology Assurance Framework (ITAF) issued by Institute of Internal Auditors (IIA) and the Information Systems Audit and Control Association (ISACA) respectively, the purpose of internal auditing is to add value by improving operations of the audited institutions. This is done by assisting all levels of management to achieve their objectives through effective discharge of their responsibilities. The Internal Auditors have roles to;

- i. To provide a high quality effective Internal Audit Service that meets the needs of the organisation.
- ii. To support and help embed corporate governance requirements and risk and business continuity management throughout the organisation.
- iii. To help identify areas for improvement.
- iv. To offer advice and assurance on achieving effective internal controls.
- v. To comply with professional internal auditing standards.
- vi. To assist the heads of department within the organisation in discharging their responsibilities.

Therefore internal auditors in local government authorities are charged with the responsibility of safeguarding the assets and liability of the authorities there by enhancing the efficiency and effectiveness of the operations of the local governments through reviewing of accounting systems, internal controls, the implementation of the corporate policies and procedures.

1.5 Objectives of the Study

Objective of the study is to examine setbacks for the Internal Audit Effectiveness and Efficiency in Local Government Authorities in Tanzania

The study aimed to answer the following questions:

- i. How does internal audits independence affects the effectiveness and efficiency in local government authorities?
- ii. How does internal audits competence affects the effectiveness and efficiency in local government authorities?
- iii. How does the relationship between internal auditors and external auditors' affect the effectiveness and efficiency of internal audits in local government authorities?
- iv. How does management support affects the effectiveness and efficiency of internal audits in local government authorities?

Thus this study examined factors hindering the effectiveness and efficiency of internal auditors in local government authorities in Tanzania; the case of Morogoro region that would be of great use to the local government authorities in managing resources efficiently. Factors such Independence, the relationship between internal auditors and external auditors, and management support were examined intensively by this study, thus the study answered the following research questions;

Qi: How does internal audits independence affects the effectiveness and efficiency in local government authorities?

Qii: How does internal audits competence affects the effectiveness and efficiency in local government authorities?

Qiii: How does the relationship between internal auditors and external auditors' affect the effectiveness and Efficiency of internal audits in local government authorities?

Qiv: How does management support affect the effectiveness and efficiency of internal audits in local government authorities in Tanzania?

2.0 Literature Reviews

2.1 Internal Audit Effectiveness and efficiency

Dittenhofer, M. (2001), defines effectiveness and efficiency "the degree (including quality) to which established objectives are achieved". Internal auditing is obliged to establish performance metrics and related measurement criterion appropriate to its environment to enable in measuring the degree of achievement of objectives for which the internal audit activity is established. Internal audit effectiveness and efficiency should be monitored and assessed periodically as part of the internal audit process (Chartered Institute of Internal Auditors, 2019). In the modern era internal auditing, three elements known as '3Es' Effectiveness, Efficiency and Economy dominate the practices of internal audit. Effectiveness refers to 'doing the right thing', efficiency means 'doing them well' and economy refers to 'doing them cheaply'. (Lenz & Hahn, 2015).

Lenz, Sarens, Jeppesen (2018), effectiveness is considered the important element among the '3Es', it does not matter how efficient or economic the service is rendered. Dittenhofer, (2001) acknowledges that effective internal audit assists organizations to meet their objectives despite the need to use a proper measurement to confirm effectiveness due to

auditing being considered as credentials. Internal audit effectiveness is highly debated in practice. However, the issue of internal audit effectiveness still needs to be examined in academic research (Lenz et al. 2018). The authors review two streams of internal auditing effectiveness literature namely the supply-side perspective (self-assessment of internal auditors) and the demand-side perspective (other stakeholder's perspective) based on new institutional theory and institutional entrepreneurship. Furthermore, more research needs to be conducted on internal audit effectiveness particularly in developing countries (Ahmad, Othman, Othman, & Jusoff, 2012).

2.2 Independence and objectivity of internal auditors

The Institute of Internal Auditors (1999); "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Independence – the freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditor, engagement, functional and organizational levels. Objectivity – an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires internal auditors not to subordinate their judgment on audit matters to that of others. "Objectivity is a state of mind while independence is the state of affairs that permits an internal auditor to operate with an objective attitude.

The Chartered Institute of Internal Auditors (2013); Interprets auditors' independence as the freedom from conditions that threaten the ability of the internal auditors to carry out internal audit responsibilities in an unbiased manner. Hosseiniakani, Inacio and Mota (2014), auditor's independence can be considered as a specification which is strongly associated with audit quality factors. Independence and objectivity are key elements of the effectiveness of Internal Auditors (Mutchler 2003; Ahmad et al. 2009; Al-Akra et al. 2016). ISPPIA (Standard 1100) requires that the internal audit department must be independent and internal auditors must be objective in achieving their work to add value to the organization. In order to ensure the appropriate level of independence and objectivity of the internal audit, professional standards and guidance of ISPPIA suggest that the CAE reports administratively to the senior management and functionally to the board. He has unrestricted access to records, personnel, and departments, avoids any conflict of interests, must not perform non-audit work, and is affiliated to the Institute of Internal Auditors (Goodwin & Yeo 2001; Christopher et al. 2009).

A survey conducted by Cohen & Sayag (2010) found that organizational independence was positively related to the auditing quality and the auditees' evaluations, which were the two dimensions of the effectiveness of internal audits in the Israeli context. According to (Krishnamoorthy, 2008; Owolabi & Dada 2011) reporting structure has been branded as one of the indispensable determinants of effectiveness of internal audit. Emphasis has been put on the audit committees with regard to the level of independence, qualification and skill, years of experience and professionalism (Alkdai & Hanefah, 2012; Nimer et al, 2012; Owolabi & Dada, 2011; Quigley 2012). The committee needs to constitute people of high level of integrity, independence, qualification and competence, experience, skilled and knowledgeable enough from various arenas within and outside the organization in various fields of operations to achieve sound corporate governance. Audit committee is needed to reinforce the internal audit function by shielding their independence and ensuring that audit recommendations are thoroughly attended by the organizations' management (Turley & Zaman, 2004).

2.3 Competence of internal auditors

Al-Twaijry et al.2003; Alzeban & Gwilliam 2014 undertook studies on the factors that affect internal audit effectiveness. A survey from 342 organizations in Poland found that internal audit effectiveness was affected by: 1) the characteristics of the internal audit, 2) audit activity, and 3) inter-organizational relationships; effectiveness increased when the age of the internal audit grew and where performed audit engagements were regularly monitored. The International Standards for the Professional Practice of Internal Auditing highlights the importance of the internal audit team to possess knowledge, skills, and competencies necessary to perform their responsibilities (ISPPIA, standard 1210). Internal auditors need to have necessary education, professional qualifications, experience and training for them to be able to add value and improve the organization's operations (Mihret & Woldeyohannis 2008; Ali & Owais 2013). Further, internal auditors required good interpersonal skills in communication, persuasion, collaboration, and critical thinking for effective fulfilment of their duties (Smith 2005; Fanning & Piercey 2014). Al-Twaijry et al. (2003) noted adequacy level of competencies of internal auditors in terms of training, experience, knowledge, and professional qualifications had positive influence on the effectiveness of Internal Audit functions. Abdul Mohammad, (2009), certified internal auditors improve the compliance with the ISPPIA. Certified internal auditors and experienced staff have good knowledge of the operations and systems of the institutions thus help to reduce risk and set proper audit scope of activities. The role of an internal audit in an institution is to ensure that the organization adheres to all financial, personnel, lending, data processing, and administrative policies and Procedures as well as economy, efficiency and effectiveness with which resources are used (IIA, 2002). Investors in China perceive earnings to be more credible especially when it's audited by more experienced auditors (Wang, Yu, Zhang& Zhao (2012). Virtually this should also be an area of research in the public sector organizations context.

2.4 Relationship between Internal and External Auditors

Internal auditors' knowledge and experience inform the external auditors in understanding the entity and its environment, as well as identification and assessment of risks of material misstatement (International Auditing Standards (ISA 315). The standard provides a meaningful guidance in viewing how stronger the internal audit functions as part of the control activity and instrumental part of monitoring organizations' component of internal control. It is the external auditors' responsibility to judge whether the work of the internal audit function can be used as part of their audit evidence-gathering process to provide direct assistance in directing, supervising and reviewing the external audit works (International Auditing Standards (ISA 610)). The external auditors need to evaluate the following in determining whether reliance should be placed on the work of the internal audit function;

- i. The level of competence of the internal auditors, and
- ii. Whether the internal auditors applies systematic and disciplined approach in gathering and evaluating audit evidence, including quality control.
- iii. The extent to which the internal audit organizational status and relevant policies and procedures support the objectivity of the internal audit functions

Regulation 32(1) of Public Finance Regulations of 2001, and Order No.12 (5) (c), (e) of the Local Authority Financial Memorandum (2009); dictates the audit committees in the local government authorities to co-ordinate audit programs conducted by both Internal auditors and the Controller and Audit-General that; the corporation between the internal auditors and the external auditors should aim to avoid deficiencies and duplication in audit coverage and before the External auditors place reliance on the work of internal auditors, they have to evaluate the effectiveness and efficiency of internal audit functions (Dobroțeanu & Dobroțeanu, 2002). This is also reflected by International Standards of Audit (ISA 610 –Considering the work of internal audit).

2.5 Management support to internal auditors

Top management support is crucial to the acceptance and appreciation of the Internal Audit Functions within an organization. ISPPA states “internal auditors should be supported from top management and board of directors to execute its duties and fulfill its responsibilities. Indeed, the internal audit department should have sufficient resources to improve the effectiveness of its activities. Management support for internal audit function is the most significant determinant of internal audit effectiveness”, Musah, Gapketor, & Anokye (2018). Angus Okechuku Unegbu and Mohammed Isa Kida (2019) noted that there was positive correlation between adequate staffed internal audit departments and effective checks of fraud and fraudulent activities in the public sectors. The researchers further recommended to the Government to provide adequately equipped staff with electronic data processing and maintain an environment within which internal auditors could have sufficient freedom to accomplish their task efficiently. International Standards for the Professional Practice of Internal Auditing (ISPPA, standards 1409 and 1609); internal audits should be supported from top management and board of directors for them to execute their duties and fulfil responsibilities. Internal audit departments should be equipped with sufficient resources to improve the effectiveness and efficiency of their activities. Alzeban & Gwilliam (2014) management support was the most important factor influencing internal audit effectiveness within the Saudi Arabian public sector organizations. They noted that internal audit effectiveness would be enhanced by hired trained and experienced staff and provision of sufficient resources. Mihret & Yismaw (2007) found that management support was the second most important factor influencing internal audit effectiveness within the higher educational institution in Ethiopia, after internal audit quality.

3.0 Location of the Study

The study was carried out in six local government authorities in Morogoro region. This was due to familiarity of the area to the research that doubtlessly helped the researcher to collect enough and relevant data for the research. The selected local government authorities for the study comprised Kilosa District Council, Mvomero District Council, Morogoro Municipal, Morogoro District Council, Ifakara Town Council and Ulanga District Council.

3.1 Research method

This study employed survey research design. The choice of the research design was to ensure that the data collected was used to determine the setbacks hindering the Effectiveness and Efficiency of Internal Audit in Local Government Authorities. The population of the study consisted of the entire staff of the audit unit, finance, procurement, planning and administration departments in local government authorities in Morogoro region. The study did not cover the whole population due to factors like time, financial constraint and control over a large sample. 236 respondents were selected and formed a sample from the population identified in this study. The study employed simple random sampling technique that each item in the population had equal chance of being selected. The primary data was collected by the use of questionnaire and interview. The questionnaires appraised the setbacks hindering the Effectiveness and Efficiency of Internal Audit in Local Government Authorities. The questionnaires were administered to the employees in the local government audit unit, finance, procurement, planning and administration departments in local government authorities in Morogoro region. The data for this project was collected, screened and tabulated. The techniques that were employed for the analysis of data indulged simple mean and regression analysis.

Regression analysis model used

Ordinary least squares (OLS) was applied to estimate the magnitude of the effect of the independent variables and the dependent variable. The regression model and the variables used are given below:

$$IAEE = \beta_0 + \beta_1 IND + \beta_2 COMP + \beta_3 RELEX + \beta_4 MWFS + \epsilon$$

Where:

IAEE	Internal audit effectiveness and efficiency
IND	Independence of the Internal Audit
COMP	Competence of the Internal auditors (Training and Experience)
RELEX	Relationship between Internal and External Auditors
MS	Management support, working conditions, Facilities and Size of Internal Audit department
ϵ	Error term

3.2 Sample and data collection

Due to limited time and great number of persons employed in local government authorities, a sampling approach was used to obtain data from individuals in selected departments namely administration, procurement, planning, finance, and auditing by means of a survey questionnaire. These departments were chosen due to their direct connection to internal audit functions. Semi-structured interview questionnaires were administered to a number of key personnel in selected councils. Data were only obtained at one point in time. The approach provided accurate results as sampling error was minimal, and suited heterogeneous data that was highly reliable as the population was big. Copies of questionnaires were sent to the 6 councils within February to March, 2023. In total, 200 useable responses, representing a response rate of 81.97 percent were received.

3.3 Sample Size

According to Mugenda and Mugenda (2008) at least 10% of the target population is enough for a sample size. The study involved a total population of 576 stratified into five classes of 118 respondents from administration, 119 from procurement, 111 from planning, 120 from finance, and 108 from audit in 6 selected councils involved in this study. Respondents were chosen by the use of simple random sampling. Out of the 576 population, Taro Yamane's (1967:886) statistical formula with 95% confidence level and 5% error was used to identify the sample size. Thus, sample size (n) was 236 determined using the formula;

The sample size was proportionately distributed among departments in the local government authorities as shown in the table below.

Table 3.3.0: Sample Size Distribution

Departments	Population	Sample size
Administration	118	50
Procurement	119	50
Planning	111	47
Finance	120	51
Auditing	108	46
Total	576	236

Source: Field Data 2023

Table 3.3.1 provides a general overview of the sample surveyed in term of the demographic information.

Demographic object	Items	N	%
Work experience	11-15 years	85	42.5
	16-20 years	68	34
	Over 20 years	47	23.5
Gender	Female	61	30.5
	Male	139	69.5
Education Level	Graduate	52	31
	Postgraduate	96	48

Area of operations in the LGA	Professionals	42	21
	Administration	36	18
	Procurement	27	13.5
	Planning	30	15
	Finance	49	24.5
	Auditing	58	29

The majority of participants were postgraduates 48% while 31 % of the respondents were graduates and 21 % of them were professionals. 69.5% of the respondents were male and 30.5% of them were female, (29%) of respondents were internal auditors, (24.5%) were accountants, (18%) administrators, (15%) were Planning officers and (13.5%) were procurement specialist. 42.5% have working experience between 11 and 15 years, 34% have working experience between 16 and 20 years and 23.5% of the respondents were over 20 years of working experience.

3.4 Reliability test of the tools employed under the study

Reliability test of the tools employed under the study was performed before administering the questionnaire. Construct employed in this study comprised the Cronbach alpha of 0.7 and above. This provided assurance regarding the scale used in this study. These findings are in line with different researches and articles employed in different field of business studies and social sciences which support that the Cronbach alpha 0.7 is accepted and addition to that it demonstrates that the test or scale designed for the research study is fit for the purpose.

Table 3.3.2: Reliability test

Variable	Number of Items	Cronbach alpha
Independence	8	0.854
Competency	8	0.901
Relationships	7	0.785
Management support	7	0.837
Audit Quality	8	0.947
Effectiveness and efficiency	9	0.797

Source: Field Data 2023

4.0 Data Analysis and Results

The techniques that were employed for the analysis of data indulged simple mean using SSSP. The technique was used to answer formulated research questions on factors hindering the Effectiveness and Efficiency of Internal Audit in Local Government Authorities in Morogoro.

4.1 Assessment of factors hindering the Effectiveness and Efficiency of Internal Audit in Local Government Authorities.

Table 4.0: The extent to which the independence of internal auditors affects the effectiveness of internal audits in local government authorities

Variable	Minima	Maxima	Mean	Rank
Financial dependence to auditees limit the effectiveness of Internal auditors	1	5	3.41	7
Involvement of Internal auditors in management decisions have impacted effectiveness of IAs in the last three years	1	5	3.69	4
Direct reporting of internal auditors' to top management of LGAs has directly affected the effectiveness of IA	1	5	3.35	8
Lack of sufficient immune of the IAs from pressure in undertaking audits works affects the effectiveness	1	33	3.41	6
Power of Chief of Internal Auditor (CIA) in establishing audit plans impact the effectiveness of internal audit.	1	5	3.58	5
Conflict of interest affects the effectiveness and efficiency of the audit works.	1	5	3.94	2
Undue influences of LGAs on management affect internal auditors' effectiveness.	1	5	3.71	3

Restrictions and/or direct access to information have impact on internal audit effectiveness	1	5	4.25	1
Average			3.67	

Source: Field Study, 2023

KEY: SD=Strongly Disagree, D= Disagree, A = Agree, SA= Strongly Agree, N=Neutral. Mean scores ranging from 1 = Strongly Disagree; 2= Disagree; 3 = Neutral; 4= Agree; 5= Strongly Agree.

Table 4.0 indicates the degree of independence of internal auditors in local government authorities in Morogoro. Findings from descriptive statistics show that, variables read 3.4 and above accept one variable. This implies respondents agree that independence of internal auditors affects the effectiveness of Internal Audit in Local Government. The overall mean 3.7 is further signifying the respondents agreeing about the independence of internal auditors to be the factor affecting the functioning of internal auditors in local government authorities

Table 4.1: The extent to which the competence of internal auditors affects the effectiveness and efficiency of internal audits in local government authorities

Variables	Minima	Maxima	Mean	Rank
Internal auditors possess the minimum required professional competency	1	5	3.37	4
Internal auditors have enough experience to perform their audit work	2	5	3.68	3
Internal auditors are aware of various principles of risk assessment and appraisal as well as risk management	1	5	3.35	5
There is understanding of how higher-level objectives link with council's operational objectives	1	5	3.31	6
There is knowledge on financial analysis tools and techniques	1	5	3.22	8
Internal auditors are proficient in procurement laws and regulations management	1	5	3.72	2
Internal auditors are proficient in techniques on control assessment and risk analysis	1	5	3.24	7
Internal auditors are proficient in planning on risk-based Internal auditing	1	5	3.89	1
Average			3.47	

Source: Field Study, 2023

KEY: SD=Strongly Disagree, D= Disagree, A = Agree, SA= Strongly Agree, N=Neutral. Mean scores ranging from 1 = Strongly Disagree; 2= Disagree; 3 = Neutral; 4= Agree; 5= Strongly Agree.

Table 4.1 indicates the extent to which competent affects internal audits effectiveness and efficiency in local government authorities in Tanzania. Findings from descriptive statistics in table 4.8 show that variables read 3.2 but do not exceed 3.9. This implies that the respondents are Neutral about the competency of internal auditors in relationship to the effectiveness and efficiency of internal audits in local government authorities. This has signified by the overall mean of 3.47

Table 4.2: The extent to which the relationships between internal auditors and external auditors affects internal audit effectiveness and efficiency in local government authorities

Variable	Minima	Maxima	Mean	Rank
There is a positive attitude of external auditors towards internal audit.	1	5	4.6	3
There is effectiveness of discussion of mutual interests between internal and external auditors.	1	5	4.2	6
Internal audits support to external audits	1	5	4.4	5
There is appropriate and regular communication and sharing of information between internal and external audits.	1	5	4.5	4
Internal auditors' plans of work are reviewed by external auditors.	1	5	4.8	2
Internal auditors' reports are relied on by external auditors.	1	5	4.9	1
External auditors evaluate the effectiveness and efficiency of internal audit functions.	1	5	4.0	7

Average	4.5
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Source: Field Data 2023

KEY: SD=Strongly Disagree, D= Disagree, A = Agree, SA= Strongly Agree, N=Neutral. Mean scores ranging from 1 = Strongly Disagree; 2= Disagree; 3 = Neutral; 4= Agree; 5= Strongly Agree

Table 4.2 indicates the extent to which the relationships between internal auditors and external auditors affects internal audit in local government authorities. The findings from descriptive statistics in Table 4.9 show that all variables read 4 and above. This implies that the respondents agreed that the effectiveness and efficiency of internal auditors is positively affected by relationships between internal auditors and external auditors. In addition, the overall mean is 4.5 which falls between 4.5 and 5, reveals that the respondents strongly agreeing that relationships between internal auditors and external auditors affects the effectiveness and efficiency of IA in local government authorities in Tanzania.

Table 4.3: The extent to which Management support affects internal audit effectiveness and efficiency in local government authorities

Variables	Minima	Maxima	Mean	Rank
Internal audit unit have its own Charter approved by the Accounting officer	1	5	4.14	3
Audit unit has its own allocated motor vehicles for carrying audit assignments	1	5	4.17	2
All internal auditors have facilities for planning, execution and report writing	1	5	4.17	2
Audit unit has other relevant working tools(cameras, taps, gloves, rain boots and coats) to accomplish their duties	1	5	4.57	4
Internal audit unit have separate office that accommodates all auditors	2	5	4.79	1
Audit unit have access to organization tools in case the unit tools fall defective	1	5	4.14	3
Average			4.33	

Source: Field Data 2023

KEY: SD=Strongly Disagree, D= Disagree, A = Agree, SA= Strongly Agree, N=Neutral. Mean scores ranging from 1 = Strongly Disagree; 2= Disagree; 3 = Neutral; 4= Agree; 5= Strongly Agree

Table 4.3 indicates the extent to which management support affect internal audit effectiveness and efficiency in local government authorities. The findings from descriptive statistics in Table 4.10 show that all variables read 4 and 4.5. This implies that the respondents agreed that management support to affect the internal audit effectiveness and efficiency in local government authorities. In addition, the overall mean is 4.3 which falls between 4 and 5 further signifies that the respondents agreement about the Management support role in internal audit effectiveness and efficiency in local government authorities

4.1 Multivariate statistics

4.1.1 Correlation Analysis

Table 5 presents Pearson's Correlation statistics between dependent variable and independent variables. From the table internal audit effectiveness and efficiency (IAEE) is positively correlated with all independent variables ($p < 0.01$: COMP, RELEX, MS $p < 0.05$: IND, AUDQ). Table No.5 further shows that the correlations between independent variables do not reach the critical level of 0.50 to cause concern for multicollinearity.

Table 4.1.1: Pearson's correlation statistics

Variable	IAEE	IND	COMP	RELEX	MS
IAEE	1.000				
IND	0,199	1.000			
COMP	0.282 ^{xx}	0.151	1.000		
RELEX	0.406 ^{xx}	0.272 ^{xx}	0.299 ^{xx}	1.000	
MS	0.168 ^x	0.166 [*]	0.056	0.171 ^x	1.000

x. Statistical significance at the 5% level.

xx. Statistical significance at the 1% level

Where;

IAEE	= internal audit efficiency and effectiveness
IND	= Independence of internal audit
COMP	= Competence of internal audit
RELEX	= Relationships of internal auditors and external auditors
MS	= Management support
AUDQ	= Audit quality

4.1.2 Regression Analysis

Table 5.1 provides regression results. The model is significant ($F=11.744$, $p=0.000$), with an adjusted- R^2 of 0.338. This indicates that 33 percent of the variance of the effectiveness and efficiency of internal auditing is explained by the explanatory factors

Table 4.1.2: OLS REGRESSION RESULT

Variables	Exp. Sign	Unstandardized coefficients	Standardized coefficient	Sig.	Collinearity statistics		
		B	β	t	Sig.	Tolerance	VIF
Constant		1.717		6.404	0.000		
IND	+	0.195	0.155	2.162	0.032	0.881	1.135
COMP	+	0.239	0.088	1.238	0.218	0.900	1.111
RELEX	+	0.239	0.272	3.625	0.000	0.799	1.252
MWFS	+	0.132	0.149	2.003	0.047	0.808	1.238
IAEE	+/-	0.365	0.266	3.893	0.050	0.962	1.040
F-value	11.744						
P-value	0.000						
Adjusted R^2	0.338						
n	200						

The first research question concerned with the extent to which independence of internal auditors affects the effectiveness and efficiency of internal audits. The statistical analysis shows positive coefficient of IND and insignificant at 1% level with ($\beta=0.155$, $p < 0.05$). The statistical result supports that internal auditors' independence affect the effectiveness and efficiency of Internal Audit functions in local Government Authorities. This result is consistent with the study conducted by Sarens et al. (2009) and Soh & Bennie (2011).

The second research question concerned with the extent to which internal auditors' competence affects the effectiveness and efficiency of internal audits in local government authorities. Competence of internal auditors predicts positive impact of internal auditors on the Internal Audit effectiveness and efficiency. However, the analysis did not show significant relationship between the competence of internal auditors (COMP) and internal audit effectiveness and Efficiency (IAEE). This result is consistent with the finding in Cohen & Sayag (2010). The lack of an association between these variables can be explained by the low percentage of internal auditors with Professional certification in local government authorities.

The third research question relates the extent to which the relationship between internal auditors and external auditors affects the internal audit effectiveness and efficiency in local Government Authorities in Morogoro. The statistical analysis shows the coefficient of RELEX is positive and significant at 1% level with IAE ($\beta=0.272$, $p=0.00$). This statistical result supports that the relationship between internal auditors and external auditors affects the effectiveness and efficiency of Internal Audit units in local Government Authorities. This is consistent with the findings of Mihret & Yismaw (2007), Ahmad et al. (2009), who found that the relationship between internal and external Auditors is an important determinant of the effectiveness of Internal Auditors.

The fourth research question relates the extent to which management support affects the effectiveness and efficiency of internal audits in local Government Authorities. The statistical analysis shows the coefficient of MS positive and significant at 5 %level ($\beta=0.149$, $p=0.047$). This statistical result supports that management support is the key factor that affects the effectiveness and efficiency of Internal Audit units in local Government Authorities in Morogoro. This is consistent with the findings of Cohen & Sayag (2010) and Alzeban & Gwilliam (2014).

The overall, our findings indicate that the effectiveness and efficiency of Internal Auditors in local government authorities in Morogoro is influenced by factors such as the independence of internal auditors, competency of internal

auditor, Management support to Internal Auditors, the relationships between internal and external auditors in field of auditing and the Audit quality of Internal auditors.

5.0 Conclusion

Based on the findings reported in this study on factors affecting internal audit effectiveness and efficiency in Local Governments authorities in Morogoro region, the following conclusion has been drawn based on specific objectives. Overall, findings indicate that the effectiveness and efficiency of Internal Audit in local government authorities in Morogoro Region is positively influenced by the independence of internal auditors, the competency of internal auditors, relationship between internal auditors and external auditors, the management support. In fact, the management support of the internal audit function in the local government authorities. Without support from top management, internal auditing is not sufficiently objective to effectively fulfil its works. Furthermore, internal auditors cannot develop their professional careers; the majority of respondents involved in the study are aware of the factors contributing to internal audit effectiveness and efficiency in Local Government Authorities.

Regarding the respondents' judgment on the effectiveness and efficiency of internal audits in Local Government Authorities, the findings reveals that internal audit staffs need to observe independence, competence, positive relationship between internal and external auditors as the main factors of the internal audit effectiveness and efficiency in Local Government Authorities. The management needs to support the internal audit units in terms of provision of good working conditions and facilities.

Lastly, the findings clearly indicate that respondents agreed on setbacks facing internal audit in closing the gap existing for the effectiveness and efficiency of the level of services offered. It was predicted that, lack of management support, required competencies, degree of independence, and lack of clear relationship between internal auditors and external auditors are part of the main obstacles hindering Local Government Authorities in closing the gap existing for the effectiveness and efficiency of the internal audits functioning.

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