

**EFFECTIVENESS OF INTERNAL AUDIT FUNCTION IN TANZANIA:
A CASE STUDY OF ARUSHA DISTRICT COUNCIL**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation entitled: *“Effectiveness of Internal Audit Function in Tanzania: A Case Study of Arusha District Council”* in partial fulfilment of requirements for the degree of Master of Business Administration (Finance) of the Open University of Tanzania.

.....

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Date

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DECLARATION

I, **Mnofu Manyama**, do hereby declare that this dissertation is my own work and that it has no been submitted and will not be presented to any other university for a similar or other degree award.

.....

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.....

Date

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ABSTRACT

This study is set to examine the effectiveness of internal audit function in local government authority, a case study of Arusha DC. The overall objective of the study was to evaluate the effectiveness of internal audit function in Arusha DC and factors related to internal audit effectiveness. The study was based on agency and institutional theories. These theories provided independent variables including auditor integrity, interest separation, competency, independency and top management support. The descriptive design was adopted alongside qualitative and quantitative approach. The population comprised of the employees working in Arusha DC. The sample size was 120 respondents, the unit of analysis being internal auditors, District planning officers, VEO, WEO and accountants, both primary and secondary data were used. This study observed that the internal audit function is not effective since top management, inadequate internal audit staff, and lack of training on part of the internal audit staff do not adequately support internal auditors. The study recommends the allocation of more resources to support recruitment of audit staff as well as support in periodic training.

Keywords: Internal audit, effectiveness of internal audit, local government authority.

TABLE OF CONTENTS

| | |
|--|-------------|
| CERTIFICATION | ii |
| COPYRIGHT | iii |
| DECLARATION..... | iv |
| ACKNOWLEDGEMENT..... | v |
| ABSTRACT | vi |
| LIST OF TABLES | xii |
| LIST OF FIGURES | xiii |
| LIST OF ABBREVIATIONS AND ACRONYMS | xiv |
| CHAPTER ONE | 1 |
| INTRODUCTION..... | 1 |
| 1.1 Background to the Study | 1 |
| 1.2 Statement of the Research Problem | 2 |
| 1.3 Research Objectives | 5 |
| 1.3.1 General Research Objective | 5 |
| 1.3.2 Specific Objectives..... | 5 |
| 1.4 Research Questions | 5 |
| 1.4.1 Specific Research Question..... | 6 |
| 1.5 Relevance of the Research and Scope of the Study | 6 |
| 1.6 Organization of the Study | 8 |
| CHAPTER TWO | 9 |
| LITERATURE REVIEW | 9 |
| 2.1 Overview | 9 |
| 2.2 Conceptual Definition | 9 |

| | | |
|-----------------------------------|--|-----------|
| 2.3 | Agency Theory | 15 |
| 2.4 | Institutional Theory | 18 |
| 2.5 | Theoretical Framework | 18 |
| 2.5.1 | Empirical Analysis of Relevant Studies | 20 |
| 2.5.1.1 | Global Experience | 20 |
| 2.5.1.2 | Experience from Africa | 21 |
| 2.5.1.3 | Experience from Tanzania | 25 |
| 2.5.2 | Factors Associated with Effective of Internal Audit Function..... | 30 |
| 2.5.3 | Other Factors Associated with Effective of Internal Audit Function | 31 |
| 2.5.4 | The Effectiveness of Internal Auditing System | 33 |
| 2.5.5 | The Extent to which the Audit System Function is Effective | 33 |
| 2.5.6 | Challenges of Internal Audit Functions in Africa | 34 |
| 2.6 | Challenges of Internal Audit Functions in Tanzania..... | 35 |
| 2.7 | Research Gap | 35 |
| 2.8 | Conceptual Framework | 36 |
| CHAPTER THREE | | 39 |
| RESEARCH METHODOLOGY | | 39 |
| 3.1 | Overview | 39 |
| 3.2 | The Research Design..... | 39 |
| 3.2.1 | Research Philosophy | 40 |
| 3.3 | Research Approach | 40 |
| 3.4 | Survey Population | 41 |
| 3.5 | Area of the Study | 42 |
| 3.6 | Sampling Design and Sample Size | 42 |

| | | |
|---|--|-----------|
| 3.6.1 | Sampling Design | 43 |
| 3.6.2 | Sample Size | 44 |
| 3.7 | Data Collection Methods..... | 44 |
| 3.7.1 | Primary Data | 45 |
| 3.7.2 | Secondary Data | 45 |
| 3.8 | Research Instruments | 45 |
| 3.8.1 | Questionnaire | 45 |
| 3.8.2 | Interview | 46 |
| 3.9 | Instrument Validity and Reliability..... | 46 |
| 3.9.1 | Instrument Validity | 46 |
| 3.9.2 | Instrument Reliability..... | 47 |
| 3.10 | Data Processing and Analysis | 47 |
| 3.11 | Research Ethics | 48 |
| CHAPTER FOUR..... | | 49 |
| PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS/ | | |
| RESULTS | | 49 |
| 4.1 | Overview | 49 |
| 4.2 | Research Findings | 49 |
| 4.2.1 | The Study Sample | 49 |
| 4.2.2 | Gender (Sex) of the Respondents..... | 50 |
| 4.2.3 | Age of Respondents | 50 |
| 4.2.4 | Education Level of Respondents..... | 51 |
| 4.2.5 | Work Job Experience of the Respondents | 52 |
| 4.2.6 | The Designation of the Respondents..... | 52 |

| | | |
|---|---|-----------|
| 4.2.8 | Interest Separation..... | 54 |
| 4.2.9 | Motivation | 55 |
| 4.3 | Competence..... | 55 |
| 4.3.1 | Integrity | 56 |
| 4.3.2 | Independence..... | 57 |
| 4.3.3 | Management Support | 57 |
| 4.5 | Interest separation | 64 |
| 4.6 | Motivation | 64 |
| 4.7 | Competence..... | 65 |
| 4.8 | Integrity | 65 |
| 4.9 | Independence..... | 65 |
| 4.10 | Management Support | 66 |
| 4.11 | Effectiveness of Internal Auditing Function | 66 |
| CHAPTER FIVE | | 68 |
| DISCUSSION OF FINDINGS | | 68 |
| 5.1 | Overview | 68 |
| 5.2 | Factors for Effectiveness of Internal Audit Function in Arusha DC | 68 |
| 5.3 | To what Extent is the Internal Audit Function Effective | 69 |
| 5.4 | Challenges of Internal Audit Functions under the Local Government Authority in Arusha DC | 69 |
| CHAPTER SIX | | 70 |
| SUMMARY OF CONCLUSION, POLICY RECOMMENDATION | | 70 |
| 6.1 | Overview | 70 |
| 6.2 | Summary of the Findings | 70 |

| | | |
|-----|--------------------------------|-----------|
| 6.3 | Conclusion..... | 71 |
| 6.4 | Limitations of the Study | 72 |
| 6.5 | Area of Further Study..... | 72 |
| 6.6 | Recommendations | 73 |
| | REFERENCES..... | 75 |
| | APPENDICES | 81 |

LIST OF TABLES

| | |
|---|----|
| Table 3.1: Descriptive Statistics | 43 |
| Table 4.1: Age of Gender | 50 |
| Table 4.2: Age of Respondents | 51 |
| Table 4.3: Education Level of Respondents..... | 51 |
| Table 4.4: Job Experience of the Respondents..... | 52 |
| Table 4.5: Designation of the Respondents..... | 53 |
| Table 4.6: Interest Separation..... | 54 |
| Table 4.7: Motivation..... | 55 |
| Table 4.8: Competence..... | 56 |
| Table 4.9: Integrity | 56 |
| Table 4.10: Independence | 57 |
| Table 4.11: Management Support..... | 58 |
| Table 4.12: Correlations..... | 59 |

LIST OF FIGURES

| | |
|--|----|
| Figure 2.1: Conceptual Framework | 36 |
|--|----|

LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|-------|--|
| A | Agree |
| CAG | Controller and Audit General |
| CDG | Capital Development Grants |
| D | Disagree |
| IA | Internal Auditing |
| IAGD | International Auditor General Division |
| IIA | Institute of Internal Audit |
| IPPF | International Professional Practices Framework |
| LG | Local government |
| LGA | Local Government Authority |
| LGFA | Local Government Finance Act |
| LGFM | Local Government Finance Monitoring |
| N | Nutro |
| SA | Strongly Agree |
| SD | Strongly Disagree |
| SPPIA | Standards for the Professional Practice of Internal Auditing |
| SPSS | Scientific Package for Social Sciences |
| TASAF | Tanzania Social Action Fund |
| URT | United Republic of Tanzania |
| VEO | Village Executive Office |
| WEO | Ward Executive Officer |

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Internal Auditing (IA) function in any organization is a key important element in the system of corporate governance alongside the audit committee, executive management and the external audit (Djordjevic & Dukic, 2016). According to IPPF (2012) the IA activity must evaluate and contribute to the improvement of governance, risk management, and control process using a systematic and disciplined approach by making appropriate recommendations for improving the governance process in accomplishment of the organization's objectives. Salehi (2016) claim that, IA activities that are performed in different legal and cultural environment, in organizations with different objectives, size, complexities, structures, and by different internal or external parties provide assurance on organization's strategic procedures, risk management and control, and help organization in meeting its strategic, operational, financial and regulatory objectives.

IA is a management tool for achieving effective internal control systems in both public and private organizations (Eden & Moriah, 1996). The contribution of effective IA to the quality of management has raised the interest of researchers to explore into this matter. Effective IA strengthens the internal control system of the organization as a whole. The findings and recommendations are crucial to the management of Local Government Authorities (LGAs) to follow through and immediately rectify the problem in the unit (Baharud *et al.*, 2014). The issues of transparency, accountability and improvement in managing public resources in

developing countries are other areas that effective internal audit function can address in management of government and corporate resources to unity together in order to achieve the intended audit function. (Tackie, Marfo-Yiadom and Achina, 2016).

In response to these issues and the need for improving financial management and accountability for the purpose of attaining value for money on public expenditure.

The government of Tanzania has established the office of the Internal Auditor General (IAG) under the Ministry of Finance following the amendments of the Public Finance Act CAP 348. The first IAG was appointed in April 2011 and the division was fully in operation from July, 2011 having five sections namely, Quality Assurance Section, Budget and Payroll Audit Section, Technical Audit Section, Local Government Authority Audit Section and Risk Management Systems and Control Section (www.mof.go.tz).

1.2 Statement of the Research Problem

The effectiveness of internal control of organizations, still need to conduct further study, there is a problem of releasing money from the Central government on time as well as the weak corporate with the management. Government faced various challenges that hinder its effectiveness in performing risk management, based on the finding of not releasing funds in time.

Internal auditing system did not acquire the effectiveness of evaluation of audit function, due to inadequate number of staff, lack of sufficient resources/budgets, lack sufficient training and capacity building plan, and non-maintenance of working paper

files allocation of more resources to support recruitment of auditing staff as well as support periodic auditing.

For transparency and accountability reasons, section 49 of the Local Government Finance Act (LGFA) number 9 of 1983 (revises in 2000) as amplified by order 31(9) of the Local Government Fund Monitoring (LGFM) (2009) require that, every Local Government Authority (LGA) shall at its own offices and in such other manner as may be directed by the regional commission, publish its area of authority.

This is of importance to the local government authority as it increases accountability in the use of public resources. Internal audit is in position to measure on how well councils are delivering services for their people through different projects in LGAs. In Tanzania, nearly each LGA has an IA unit which is expected to provide effective defence/against fraud, misappropriation of assets and misreporting of financial information (Dordevic and Dukic, 2015).

It is also expected to detect where internal controls have failed and encourage immediate improvement by detecting imperfections and provide recommendations for correcting deficiencies that have gotten the first line of defence before external auditors (Eden and Moriah, 1996) report them. IA unit meets its objectives by performing audit effectively and help to minimize the number risk deficiencies, which lead to qualified opinion in LGAs.

The author in a question of concern can evaluate the above statements, which need to be evaluated based on a number of factors namely; professional proficiency of

internal auditors; Organizational independence; and top management support (Cohen and Sayag, (2010). Internal Audit is very important function in any organization not to be ignored by the Government and Local authorities if better management of public resources need to be achieved.

IA meets its objectives by performing audit effectively depends on a number of factors namely; professional competence of internal auditors; motivation, quality of audit work, Career and advancement and Top management support (Cohen and Sayag, 2010). Cohen and Sayag claim that, IA helps management to get accurate readings of the organization and take immediate action to improve efficiency and effectiveness.

IA detects internal controls to fail and encourage immediate improvement by detecting imperfections and provide recommendations for correcting deficiencies that have gotten the first line of defense before external auditors (Eden and Moriah, 1996) report them. The Local Government Finance Act No. 9 of 1982 requires the accounts of every district and urban council to be audited internally by an internal auditor employed by the authority concerned. Internal audit is part of the internal control system established by the council management. By definition, internal audit is an independent appraisal function within an LGA, for the review of activities as a service to all of internal controls, financial and others, as to contribution to the efficient use of resources within a LGA.

Regulation 33 of the public finance level management defined internal audit as a control measures used to evaluate reports upon the effective and efficient use of

resources. Regulations 2001 further defines internal audit, ‘as an independent appraisal activity established within a ministry, department or agency or any other reporting unit which operates as a service to the head of the unit involved, which controls activity functions by examining and evaluating the adequacy and effectiveness of internal controls .

1.3 Research Objectives

1.3.1 General Research Objective

The general objective of this study is to evaluate the effectiveness of internal audit function in Arusha District Council.

1.3.2 Specific Objectives

This study contains three specific research objectives, namely as below:

- (i) To access the extent to which the audit system function is effective in Arusha DC.
- (ii) To find out factors associated with effectiveness of internal audit function in Arusha DC.
- (iii) To identify challenges of internal audit functions under Local Government Authority (LGAs) in Arusha DC.

1.4 Research Questions

General research question

What is the evaluation of the effectiveness of internal audit function in Arusha District Council?

1.4.1 Specific Research Question

There are three Specific research question, these are:

- (i) What extent the internal audit function effective internal audit functions in Arusha District Council?
- (ii) What are the factors associated with effectiveness of internal audit function function in Arusha District Council?
- (iii) What are the challenges facing internal audit function on evaluating of the effectiveness of internal audit function

1.5 Relevance of the Research and Scope of the Study

The findings of the study have provided insight and information for administrators, practitioners, and researchers concerning contribution to ensure effective internal auditing system to assist Management to make closure follow up releasing grant Central government. Findings also generated knowledge, which has, is of benefit to policy formulation and implementation. In addition, the findings of the study can be used as the corrective measures or remedies to assist Management to make closure follow up unreleased grant towards ineffective internal auditing system on Local government authority under Local Government Authorities in Tanzania. The study has also provided a reference when undertaking further findings about the same issue or any other issue in future.

The scope of this study covers the main focus of evaluation of effectiveness of internal audit function in local government authority, Arusha DC being the area of case study, representing the other district councils.

The study consist of the following three specific objectives namely,

- (i) To access the extent to which the audit system function is effective in Arusha DC.
- (ii) To find out factors associated with effectiveness of internal audit function in Arusha DC.
- (iii) To identify challenges of internal audit functions under Local Government Authority (LGAs) in Arusha DC.

Targeting population of 300 with the sample size of 120 respondents were used.

The study covers the determinants for effectiveness of internal audit function as well as challenges for internal audit function towards its effectiveness, so the main findings of the study was based on the research objectives and in the relationship of the dependent variables and independent variables. The duration of the study was six months, also agency theory and institution theory was to support the study.

My study was limited by the number of sample size, as one wish to obtain information from large group of population so that you transform them to be used as data from the unit of analysis in the area of the study but due to constraints of time and resources, you opt for a number of sample size. Also the study is limited with availability of data from the office of chief internal audit. Another limitation was geographical area of my respondent, as Arusha DC is comprised of 17 wards so it was not easy to attend them timely

1.6 Organization of the Study

This dissertation has six parts, which are chapter one, chapter two, chapter three, chapter four, chapter five and chapter six.

Chapter two has the following subsections; overview, conceptual definitions, critical review of the supporting theories, empirical analysis of relevant studies, research gap identified, conceptual framework, theoretical framework and summary of the chapter.

Chapter three has the following chapters; overview, research strategies, survey population, area of the research, sampling design and procedures, variables measurement procedures, methods of data collection, data processing and analysis, expected results of the study.

Chapter Four has the following chapters: Overview, research findings and discussion of the findings.

Chapter Five presents the summary of the findings while chapter six has overview, summary of the main findings, policy recommendations, limitation of the study, areas for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

This chapter aims at reviewing literatures related to the study conducted by the researcher. Literature review is important as it gives the researcher an opportunity to obtain data, information and visions from other researchers who conducted related studies. The chapter is divided into five parts, which are conceptual definitions, theoretical literature review/critical review of the supporting theories, empirical literature, research gap, and conceptual framework.

2.2 Conceptual Definition

(i) Interest Separation

These are an agreements between two parties, seeks to avoid the conflict of interest of an individual and entity. Conflict between employees and employers, the employee demanding increment which are statutory annual increment, which does not need an approval from the higher organ the interest between managers and owners The interest of researchers is to explore into this matter. Effective internal audit unit to strengthen the internal control system of the organization as a whole.

The findings and recommendations are crucial to the management of Local Government Authorities (LGAs) to follow through and immediately rectify the problem in the unit (Baharud *et al.*, 2014). The issues of transparency, accountability and improvement in managing public resources in developing countries are other areas that effective internal audit function can address in management of government.

Jensen and Meckling (1976) argue that separation of interest leads to objectivity. A clear separation of interests between managers and owners (shareholders) at the objective level. Individuals are motivated by calculative action by managers in their personal perception, to the degree that an executive feels their future fortunes are bound to their current corporate employers through an expectation of future employment or pension right.

(ii) Motivation

Motivation is the purpose or psychological cause of an action, which results from the interaction of both conscious and unconscious factor. Agency theory is a principle that is used to explain and resolve issues in the relationship between business principals and their agents. Most commonly, that relationship is the one between shareholders, as principals, and company executive, as agents Overview.

The principal and agent theory emerged in the 1970s from the combined disciplines of economics and institutional theory. There is some contention as to who originated the theory, with theorists Stephen Ross and Barry Mitnick claiming its authorship.

The important of Agency theory is used to understand the relationships between agents and principals.

The principal-agent problem occurs when the interests of a principal and agent conflict. Companies should seek to minimize these situations through solid corporate policy. Jan 14, 2019 (Donaldson, 1990), we focus on stakeholder's needs by building a culture of good customer care and having competent and motivated workforce.

The executive manager under this theory far from being an opportunistic shirker, essentially wants to do a good job, to be good steward of the corporate assets thus stewardship theory holds that, there is no , general problem of executive motivation. There is a question of how far executives can achieve the good corporate performance to which they aspirators respect the value and ownership of information they receive and do not disclose information without appropriate authority to do so.

(iii) Competence

The Competence on based on internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. According to the Code of Ethics, “internal auditors apply the knowledge, skills, and expertise needed in the performance of internal audit services. The Competence of an auditing function would add value to the management, hence, it enable to get unreleased grant development of capital grants

Jensen and Meckling (...) tries to explain a need to achieve, in order to achieve you should be convinced as being motivated by a need to achieve, to gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority and thereby to gain recognition from peers and bosses is where by you become competence.

When you read the requirement of International Standards for the Professional Practice of Internal Auditing (IPPF, 2008) that, internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual

responsibilities. The IA activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

Competencies referred by the standard relate to knowledge, skills. Or competencies is a collective term that refers to the professional proficiency required of internal auditors to carry out effectively their professional responsibilities IPPF (2008). Competence needed by an auditor differs from that needed by a financial accountant.

In carrying out audit assignments, auditors must possess the quality of;

- (i) Curiosity,
- (ii) Broad-minded,
- (iii) Be able to handle uncertainty,
- (iv) Is able to accept that there is no easy solution
- (v) Realize that some findings may be subjective and
- (vi) The auditor also must have high integrity and good communication skills, because in many audits conducted, interviews and inquiries from the auditor to obtain data must be made (Usman,2016).

Internal auditors enhance their knowledge, skills, and other competencies through continuing professional development IPPF (2008). Mihret and Yismaw, (2007) argued that, lack of qualified staff weakened internal while the study of Cohen and Sayag (2010) found no significant relationship between professional proficiency and internal audit effectiveness.

(iv) Integrity

Is process of adherence to a moral code, reflected in transparent honesty and complete harmony?

“The quality of being honest or having strong moral principles.” People with integrity are generally known to be trustworthy, honest and kind. From my research, internal auditor must be integrity, transparency, honestly and accountable to every task of work provided by management in order to effect the effectiveness of evaluation function of internal auditing function. Agency theory explains about behavior of two parties, the management and shareholders. The theory tries to provide, observe and maintain the highest standards of ethical behavior and the rule of law.

(v) Independence

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out their audit function. An auditor should be independent in their work to evaluate the performance of any organization, in order to give the results of true and fair value view. Management support internal audit helps an organization to accomplish its objectives by introducing a systematic and closely controlled approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

(vi) The effectiveness of internal auditing system

The function of internal auditing system is in place during operational of internal control system in order to performing risk management. Dependent variable links the relationship between the independent variables ‘that ‘are Interest separation,

Motivation, competence, Integrity, Independence, and Management support were tested for relationship with a dependent variable.

The nature of the IAF and the particular approach adopted by internal auditors to their work (Adams, 1994), it postulates that a firm consists of a nexus of contracts between the owners of economic resources (the principals) and the managers (the agents) who are charged with using and controlling those resources (Jensen and Meckling, 1976; Adams, 1994).

It also assumes that principals and agents act rationally and that they will use the contracting process to maximize their wealth. Jensen and Meckling (1976) stated that, if both parties to the agency relationship are utility maximizers; it is generally impossible at zero cost to ensure that the agent will make decisions that seem optimal to the principal. In most principal–agent relationships, reducing the agency problem always incurs monitoring and bonding costs.

Some writers have recognized the role of internal audit as a bonding function borne by senior managers to monitor their behaviors and to satisfy the demands for accountability made by shareholders and creditors (DeFond, 1992; Sherer and Kent, 1983). At the same time, the cost of internal audit can be also seen as a monitoring expenditure incurred by owners/principals to reduce the agency problem and protect their economic interests (Adams, 1994; Ettredge *et al.*, 2000; Subramaniam, 2006).

In general, both internal and external auditing are hypothesized to provide monitoring intended to reduce the internal and external agency costs (Jensen and

Meckling, 1976; Fama, 1980; Chow, 1982; Fama and Jensen, 1983; Francis and Wilson, 1988; Anderson *et al.*, 1993; Adams, 1994; Ettredge *et al.*, 2000). While internal agency costs arise due to differences in incentives between top managers and lower-level employees within the firm, external agency costs reflect differences in incentives between top managers and external suppliers of capital (Ettredge *et al.*, 2000).

On the one hand, the internal agency costs include lower-level employees' tendency to work less, immoral behaviors such as asset theft and intentional and unintentional misrepresentation of information. On the other, *external agency costs may arise* owing to senior managers' unfavorable incentives, such as the intentional transfer of wealth from shareholders and debt-holders to themselves, misrepresentation of information, earnings management, excessive perquisites, and shirking and incorrect investment decisions.

2.3 Agency Theory

Agency theory is the theory of the firm and managerial behavior, agency cost and ownership structure (Jensen and Mackling, 1976). The agency theory remains the dominant theory informing about the implication of internal audit. Management introduces internal auditing and other internal control mechanisms to signal the shareholders that management is properly discharging its responsibility to maximize shareholders wealth (Jensen and Mackling, 1976).

Mackling and Jensen (1976) in their paper on the theory of the firm defined the agency relationship as a contract under which one or more persons (the principal(s))

engage another person (the agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent. The first scholars to propose, explicitly, that a theory of agency be created, and to actually begin its creation, were Stephen Ross and Barry Mitnick, independently and roughly concurrently. Ross is responsible for the origin of the economic theory of agency, and Mitnick for the institutional theory of agency.

Ross introduced the study of agency in terms of problems of compensation contracting; agency as seen, in essence, as an incentives problem. Mitnick introduced the now common insight that institutions form around agency, and evolve to deal with agency, in response to the essential imperfection of agency relationships. That is behavior never occurs, as the principal prefers it because it does not pay to make it perfect. However, society creates institutions that attend to these imperfections, managing or buffering them, adapting to them, or becoming chronically distorted by them. Thus, to fully understand agency, we need both streams to see the incentives as well as the institutional structures (Mitnick, 2006).

The agency problem occurs when savers that invest in a business venture typically do not intend to play an active role in its management, that responsibility is delegated to the entrepreneur. Once savers have invested their funds in a business venture, the self-interested entrepreneur has an incentive to make decisions that expropriate savers' funds. The theory assumes that organizational actions are driven by individual's pursuit of self-interest, with contracts governing the relationship between management, shareholders and employees. The theory explains the two parts in the

organization in regard to their interest, management and shareholders interest. There is information irregularity and regularity towards the organization information. Management have access to information while shareholders has no such access to information that is why management need to be monitored, hence occurrence of internal audit's in that aspect you find that between those two parts, it is only one part have the information regarding the management of the venture. There are several solutions towards that; such as there should be with optimal contracts between entrepreneurs and investors such as compensation agreements and debt contracts. The second solution is to have the board of directors whose role is to monitor and discipline management on behalf of the external owners.

Agency theory analyses the consequences of certain financial decisions in terms of risk, profitability and, more generally, the interests of the various parties. It shows that some decisions may go against the simple criteria of maximizing the wealth of all parties to the benefit of just one party. An agency relationship exists between two parties when one of them, the agent, carries out an activity on behalf of the other, the principal. The agent has been given a mandate to act or take decisions on behalf of the principal Vernimmen, (2005). Demand for internal auditing arises due to the contractual principal-agent relationship between owners and management of the firm Mihret, (2013).

According to Eisenhardt, (1989) Agency theory is concerned with resolving the agency problem that arises when the desires or goals of the principal and agent conflict, and it is difficult for the principal to verify the agent's activities.

Agency theory is extensively employed in the accounting literature to explain and predict the appointment and performance of internal 1 auditors. It argues that agency theory provides a useful theoretical framework for the study of the internal auditing function. Proposed that agency theory not only helps to explain and predict the existence of internal audit, but also helps to explain the roles and responsibilities assigned to internal auditors by the organization, and predicts how the internal functions are affected by organizational changes.

It concludes that, the agency theory provides a basis for rich research which can benefits both the academic community and the internal auditing profession (Michael B. Adams, 1994); Mihrenet *et al* 2010.

2.4 Institutional Theory

Institutional theory posits that organizational management and control structures tend to conform to social expectations (Di Maggio & Powell, 1983). Based on this reasoning, this study takes the stand that management control structures are put in place to respond to a range of control and compliance requirements. An important component of the management control structure is the Internal Audit Function.

2.5 Theoretical Framework

Based on the preceding discussions and related theories, this study postulated the following theoretical framework as shown in Figure 2.1 above. Effectiveness of internal audit helps for achieving performance, profitability and prevents any lack or loss of revenues in particular. Audit effectiveness is an outcome of auditors' activity, duties, policies and procedures. The audit effectiveness refers to 'achieving audit'

objectives by gathering of sufficient and appropriate audit evidence in order to get a reasonable opinion regarding the financial statement compliance with generally accepted accounting principle. Organizational setting Authoritative setting incorporates status of inward review unit in the council's structure and inside review detailing structure.

The inside review capacity of a council ought to be given high status in the association structure to empower better correspondence with senior administration and to guarantee autonomy of inward review from the audited. Freedom is a fundamental standard in giving powerful interior review administration to guarantee budgetary administration. The internal audit unit of the chambers is working such that has guide access to the administration.

This gives hypothetical autonomy of interior review unit, implying that the part of inward review relies upon the uprightness of Accounting Officer as opposed to association structure. The outcomes demonstrate that, the Council executive of Arusha city chamber meets each week with head of internal audit unit for discourse on monetary anomalies while at Arusha Council there are no such things as opposed to sitting tight for drafts of quarterly reports for dialog.

This circumstance in spite of study led by Kunze (2010) when expressed that, association structure is a stumbling hinder on inside review work and thusly neglect to satisfy its parts. The internal audit unit in every council (LGA'S) reports direct to the Council Director who is likewise mindful to reinforcing inward control framework in the council.

2.5.1 Empirical Analysis of Relevant Studies

2.5.1.1 Global Experience

In a more recent study, Ussahawanitchakit and Intakhan (2011) stated that audit effectiveness is the outcome of the internal auditors' activities, duties, professional practices and responsibilities through a high commitment with audit standards, goals, objectives, policies and procedures.

Internal audit plays a key role in monitoring a company's risk profile and identifying areas to improve risk management. Also, Ramachandran and Subramanian (2012) examined the effectiveness of the internal audit function in Tanzanian commercial banks, adopting the Arena and Azzone (2009) model.

The results of their study concluded that there is a positive relationship between internal audit resources and competencies and internal audit effectiveness in Tanzanian commercial banks. This suggests that an increase in the level of internal audit resources will also result in an increase in the level of internal audit effectiveness in these banks. Similarly, Dhamankar and Khandewale (2003) examined the effectiveness of Internal Audits, given the numerous corporate governance failures in the United States of America and other parts of the world. The study found that internal audit is an important constituent of good corporate governance and effective internal auditing would be a strong tool in the hands of the management.

In terms of banking irregularities, Augustine *et al.* (2013) examined the internal control system and quality of audit work in the Nigerian Banking Sector, and posited

that the main cause of banking fraud is the lack of an effective internal Ref, Ramachandran, J. &Subramanian, R. (2012) “Effectiveness of internal audit in Tanzanian Commercial Banks”, British Journal of Arts and Social Sciences, vol. 8: 32-44.

Hamza Mohammad Alqudah, Noor Afza Amran, Haslinda Hassan (2019) on a study of Factors affecting the internal auditors’ effectiveness in the Jordanian public sector. The purpose of this paper was to investigate the moderating effect of task complexity on external auditors’ cooperation (EAC), top management empowerment and internal auditors’ independence, which affect internal auditors’ effectiveness in the Jordanian public sector.

This paper utilised questionnaires from financial managers and internal audit (IA) managers of the Jordanian public sector institutions. The collected data were analysed using partial least squares-structural equation modelling (PLS-SEM). The findings revealed that EAC, top management empowerment, and internal auditors’ independence are the factors, which positively and significantly affect the internal auditors’ effectiveness.

2.5.1.2 Experience from Africa

Mihret D. & Yismaw A. (2007) conduct a study on Internal Audit effectiveness a case study of Ethiopian Public sector based up on a case study of a large public sector higher educational institution in Ethiopian the paper examine how internal Audit quality, management support, organization setting, auditees attributes and the interplay among this factors influence internal audit effectiveness. The finding of the

study highlight that internal audit effectiveness is strongly influence by internal audit quality and management support whereby organizational setting and auditee attributes do not have strong impacts on audit effectiveness. Based on the findings similar study to be conducted in Tanzania, Arusha DC being a case study to evaluate on the effectiveness of internal audit in Ausha District Council.

Moses Jachi, Lucky Yona(2019) on the impact of professional competence and staffing of internal audit function on transparency and accountability. Case of Zimbabwe local authorities. The study aimed at investigating the impact of internal audit function competence and staffing on transparency and accountability in Zimbabwe local authorities. The study adopted professional competence and staffing as the independent variable and transparency and accountability as the dependent variable. Survey data was obtained from management and internal audit personnel from local authorities in Zimbabwe using semi-structured questionnaires and focus group discussions. Regression and multivariate analysis were used to test the hypothesis that internal audit function professional competence and staffing is positively associated with transparency and accountability in Zimbabwe local authorities.

The study established that there is a significant positive relationship between internal audit function competency dimensions of qualification, experience, training, transparency and accountability in Zimbabwe local authorities. The study revealed the need to improve and uphold internal audit function competency through creation of an enabling environment to support internal audit functions and guarantee their

effectiveness in upholding corporate governance practices. The study recommended the establishment of a centralized Local Government Internal Audit Agency under the Ministry of Local Government, Public Works and National Housing, responsible for coordinating, supervising, monitoring and reviewing local authorities internal audit functions as a stride towards improving public finance management systems and corporate governance practices within the country's public sector.

Rotimi Adetayo Adedokun, Cecilia Aina Oluwakemi PhD Ogunwole GSJ 7 (2), (2019) on Appraisal Of Determinants Of Effectiveness Of Internal Audit Of The Public Tertiary Institutions In Nigeria. This study aimed at appraising determinants of effectiveness of internal audit in Nigerian public tertiary institutions from the perception of respondents using Federal Polytechnic Ile-Oluji, Ondo State Nigeria as a research focus. The study's research focus represented all other tertiary institutions of similar status under the regulatory framework of National Board for Technical Education (NBTE) in Nigeria.

The management team, which included all the principal officers of the institution, the internal audit staff and the bursary staff are the sources of primary data collection, which were gathered through the questionnaire, administered. To analyze and interpret the gathered data, ordinary least square regression method was used. Amongst the factors, which were identified by respondents as determinants of internal audit effectiveness, internal audit independence was considered as the most fundamental and critical in ensuring effectiveness of internal audit in any tertiary institution of higher learning in Nigeria. The study therefore concluded that in order

to ensure judicious utilization of public funds in Nigeria, the need for effectiveness of internal audit is necessary and as such cannot be overemphasized

Francis Agordotse, (2019) on Corporate Governance and Internal Audit, A Case Study of MMDAs in Volta Region of Ghana in this study sought to examine the effect of Internal Audit on Corporate Government at Metropolitan, Municipal, and District Assemblies (MMDAs). Five (5) Municipal and District Assemblies from the Volta Region were selected as a case study. Five (5) respondents which includes the Finance Officer, Budget Officer, Audit Committee member, Administrator and a Director further sample from each of these selected Municipal and District Assemblies. It was found from the study that, Internal Audit staffs are highly qualified in term education however they lack enough staff in terms of numbers. It is also noted from the study that, qualification and experience, working environment, regulatory framework, and the independency of the Internal Audit are very essential for the conduct of effective Internal Audit practices in Metropolitan, Municipal, and District Assemblies.

Furthermore, the result indicates that, the existence and the role of Audit Committee in promoting effective audit practice at the Municipal and District level has not been effective. Most importantly, the study found that, effective Internal Audit practices impact good corporate governance of Municipal and District Assemblies. The study therefore recommended that, in-service training be organized regularly at the Metropolitan, Municipal and District Assemblies to improve their experience level since qualification and experience are major determinants of effective Internal Audit.

2.5.1.3 Experience from Tanzania

Abdul Kisiwa (2018) assessment of the role of internal audit on performance of internal audit function (IAS) in risk management case study of bank of Africa (BOA),. The study aimed to explore how BOA implements its internal audit function in effectiveness. Risk management as the methodology used to conduct this study was descriptive in nature. The Institute of Internal Auditors, on their position paper on the, role of Auditing in Public Sector Governance (2006), presented the IIA's position on the importance of the public-sector audit function to effective governance.

Internal Auditing Research: Where are we going? Editorial", Sarens (2009) discussed certain areas for future research in internal auditing, based upon the concept of internal audit function quality. He raised the question:

“when we can talk about an effective Internal Audit Function?” His indication was that in theory, the answer should be ‘when Internal Audit Function quality has a positive impact on the quality of corporate governance’.

He argued that Internal Audit Function quality consists of two components that merit further investigation: (1) the characteristics of the IAF as a whole, and (2) the characteristics of the individual internal auditors. He was of the opinion that, future research should investigate to what extent Internal Audit Function quality is associated with internal control quality and risk management quality”, two important aspects of corporate governance. Finally, he stressed the importance of the risk and control culture, when studying the relationship between Internal Audit Function quality and internal control quality or risk management quality.

Arena and Azzone (2009) carried out a study on “Identifying Organizational Drivers of Internal Audit Effectiveness”. The study attempted to understand the organizational drivers of internal audit effectiveness in the light of recent changes in the mission of internal auditing and its central role in corporate governance.

The data collection was based on a survey of the largest companies in Italy. The survey design was based on questions that could be easily answered by the target respondents (the Chief Audit Executives) and which would limit possible framing effects. Based on data from the Italian companies, the survey indicated that the effectiveness of internal auditing is influenced by: (1) the characteristics of the internal audit team, (2) the audit processes and activities, and (3) the organizational links. Internal audit effectiveness increases in particular when the ratio between the number of internal auditors and employees grows, the CAE is affiliated to the IIAs, the company adopts control risk self-assessment techniques, and the audit committee is involved in the activities of the IAs.

Sarens and Abdolmohammadi (2010) carried out a study on “Monitoring Effects of the Internal Audit Function: Agency Theory versus other Explanatory Variables”.

This study investigated on:

- (i) Whether agency variables are associated with the relative size of the internal audit function;
- (ii) Whether the Internal Audit Function is complementary to other monitoring mechanisms such as dependent board members and an active audit committee;
- (iii) The impact of the control environment on the relative size of the Internal Audit Function.

They use data from a sample of 20 Belgian firms. They found evidence of a monitoring role for the Internal Audit Function in corporate governance. They also found that, a supportive control environment has a positive impact on the relative size of the Internal Audit Function. Barac and Staden (2009) carried out a study on the ‘The Correlation between Perceived Internal Audit Quality and Defined Corporate Governance Soundness’ in companies in South Africa.

They investigated whether a correlation exists between the perceived quality of an internal audit function and the soundness of its company’s corporate governance building. Compliance with ten disclosure requirements of the King II report was used to determine a corporate governance score for each participating company. The perceptions of management and audit committee chairs on their companies’ internal audit function quality were used to determine a quality score for each participating internal audit function. These perceptions were based on elements that affect internal audit function quality identified from the literature. The correlation between these scores was then investigated.

Results were based on questionnaires completed by chief audit executives, chief executives and audit committee chairpersons of participating companies. The main finding was that no correlation was found to exist between the defined soundness of the corporate governance structures and the perceived internal audit quality of participating companies.

Paape *et al.* (2003) carried out a survey, at the behest of the European Confederation of Institutes of Internal Auditors (ECIIA), on the relationship between the Internal

Audit Function and CG issues among the top listed companies in the European Union (EU). It was clear from their study that there are surprising and even startling differences in the way internal auditors operate in the EU, even in the largest companies, and their awareness of, and opinions about and their role in CG concerns. They declared that put succinctly; there is plenty of room for evolution in both mindset and daily practice.

Erick (2015) carried an assessment of the effectiveness of internal audit on local government authorities in Tanzania the results that implied that in order to improve effectiveness of internal audit and at same time the internal audit should be full independent to perform their duties.

Caroline Shio, (2019) on Factors influencing the effectiveness of the functions of internal audit in Tanzania, A case of ministry of Education, Science and Technology. The study informs of the factors that influence the effectiveness of internal audit function in the Ministry of Education, Science and Technology in Tanzania. The study used a case study design to seek deeper knowledge and concentrate on a single unit to get factors that are more relevant on the internal audit. Forty respondents from the Ministry of Education, Science and Technology were sampled for the study. Data were collected through questionnaire and interviews. The data were analysed through the Statistical Package for Social Sciences (SPSS). The findings showed that the internal audit function is not adequately performed in public organizations. This is because internal auditors have many responsibilities than their capacity to fulfill. Further, the findings show that internal auditors do not have independent to operate

their functions. This has constrained the internal auditors from expressing matters and concerns over the existing financial information. It is, therefore, recommended that management should allow the internal auditors to carry out the responsibilities in a free and independent manner in order to make appropriate judgments.

Latifa Mbelwa, Munyangabi Lenatusi, *Business Management Review* 22 (1), 13-30, (2019), on assessment of factors that influence management reliance on internal audit function, evidence from oil and gas companies operating in Tanzania. The study investigated factors that influence reliance by senior management over internal audit function in the Tanzanian oil and gas companies. The research applied positivism paradigm, and it involved 17 oil and gas companies operating in Tanzania Mainland. Data analysis was performed specifically to identify the modelling and relationships of both dependent variable (reliance of internal audit function) and independent variables (communication, independence, objectivity, competence, work performance).

The study found that the senior management personnel (CEOs, CFOs and Members of the Audit Committee) were seen to have overall reliance on works of their internal audit functions whereas some differences were revealed between propositions on competence requirements in the oil and gas sector and non-oil sectors. The study further revealed lack of significant independence of internal auditor's function and interference of senior management in day-to-day operations of the internal audit department. The study generally recommends re-examination of the position of internal audit function in the studied oil and gas companies.

2.5.2 Factors Associated with Effective of Internal Audit Function

Some of the studies performed in Africa relating to IA effectiveness, are the study of Mihret and Yismaw (2007) on Ethiopian public sector. They evaluated on factors force the effectiveness of internal audit.

They found that IA effectiveness is strongly influenced by internal audit quality and management support, whereas organizational setting on the audited does not have a strong impact on audit effectiveness. The other study is that of Dellai, (2016); their study examined factors influencing IA effectiveness in the Tunisian context. The findings of their study showed that the effectiveness of IA is positively influenced by the independence of IA, the objectivity of internal auditors, and management support for IA.

Due to the nature and characteristics of developing countries, findings from these studies will be compared to what was being found in Tanzania. Arena &Azzone (2009) identified three major factors that contribute to the effectiveness of the IAF.

These are the characteristics of the internal audit team; the audit processes and activities; and the organizational links. Cohen & Sayag, (2010) identified that the effectiveness of internal auditing is determined by the fit between the audit and six characteristics of the Internal Audit Function, which are: the sector of the Organization, whether private or public, the professional proficiency; the quality of the audit work, the organizational independence; career advancement and top management support. The factors identified by the two set of studies seem to highly overlap.

2.5.3 Other Factors Associated with Effective of Internal Audit Function

Hendra Poltak, Made Sudarma, Lilik Purwanti, *International Journal of Multicultural and Multireligious Understanding* 6 (1), 33-51, (2019) on the determinants of the effectiveness of internal audits with management support as the moderating variable. Weak financial accountability reflects the lack of effectiveness of internal audits. The purpose of this research was to test and provide the evidence of the determinants of the effectiveness of internal audits at the Ministry of Marine Affairs and Fisheries. This research was explanatory research. To test the hypotheses, the data of the research questionnaire data were analysed using Partial Least Squares (PLS) analysis tool.

The results show that the relationship between internal auditors and external auditors, organizational independence, and auditee perceptions positively influences the effectiveness of internal audits. However, audit professionalism does not have a positive effect towards the effectiveness of internal audits and the management support cannot be a moderating variable. This finding can open the horizons of interested parties, especially Ministry of Marine Affairs and Fisheries leaders, to consider policies that can improve the effectiveness of internal audits to improve organizational goals and performance.

Internal auditors must possess appropriate knowledge, skills and other competencies necessary for undertaking their personal responsibilities. Internal audit department, as a whole, also needs to have or attract the required knowledge, skills and other capabilities and competencies for meeting its responsibilities. The competency of

internal audit staff is a key component of efficient internal audit practice (IIA, 2006). Standard-setters have always emphasized on the importance of internal auditors who present appropriate level of knowledge, skills, and other competencies needed to meet tasks and responsibilities of internal audit department (ISPPIA). In addition, competency is considered as the key measure for depending on the work of inner auditors by external auditors (Al Twaijry *et al.*, 2004). Past studies have concentrated on staff's needs and necessities for achieving an abnormal state of adequacy.

Ali *et al.* (2007) and Ahmed *et al.* (2009) ponders the significance of inside audit in Malaysia's public sector, and understood that not meeting the fundamental prerequisites, and learning, by inner audit staff negatively affects the part of inside audit, they proposed training as an essential need for development of inward audit in Malaysia. Scheiv (2000) recognized various elements influencing inward audit performance, including inadequacy of internal audit. Comparable results are gotten in other developing countries.

Studies on the nature of inner audit (Brierley *et al.*, 2001, 2003), for occurrence, have distinguished the low quality of staff as a component restricting the performance of internal audit department. Different studies have alluded to the low quality of inner audit staff as a factor that crumbles the inward audit department (Mihret & Yismaw, 2007); these studies demonstrate that internal audit staff lack appropriate educational qualifications, and continued professional training is expected to empower them enhance their abilities and capacities. In light of this ground, the accompanying hypothesis is produced.

2.5.4 The Effectiveness of Internal Auditing System

Asiedu (2017) researched on fighting corruption by means of effective internal audit function in Ghana; provide evidence that those firms with good corporate governance structure and systems such as the presence of a board of Directors are more likely to have an internal audit functioning effectively. The coverage of the study was the internal audit and its determinants towards its effectiveness.

Study also found that the effectiveness of internal audit functions is determined by the fit between the audit committee and the management, independence. Also, the study found that in order for the internal audit function to be effective, there should be measurement on the following,' the implementation of internal audit recommendation, compliance with the IIS's, international professional practice framework (IPPF), applicable laws and regulations are followed.

2.5.5 The Extent to which the Audit System Function is Effective

A general description of effectiveness and efficiency is “the degree (including quality) to which established objectives are achieved. ” The same description can be used for internal audit effectiveness and efficiency. Internal auditing should establish performance metrics and related measurement criterion appropriate to its environment/ organization”. To measure the degree (including quality) 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.

There are some types of steps, which will be

- (i) Evaluation of Internal Auditing Control
- (ii) Assessment of Budgeting, accounting, and financial reporting performance
- (iii) Assessment of effects of Compensation Management on organizational performance.

2.5.6 Challenges of Internal Audit Functions in Africa

The effectiveness of the internal audit function in Africa faces various challenges.

In Ghana, Affum (2011) notes that the internal audit function is faced with challenges such as poor image, communication challenges, incompetent staff, and lack of independence from the management staff. On the other hand, Ogechi (2013) notes that the effectiveness of the internal audit function in Nigerian local government was reduced by the lack of proper segregation and proper assignment of duties as well as shortage of qualified staff to carry internal audit and accounting duties. Other challenges included the lack of the implementation of routine audit reports by appropriate authorities and the inadequacy of the internal control systems. In Kenya, Ongeru *et al.*, (2005) studied the effectiveness of the internal audit function within the Kisumu Local Government, which established the function was not adequately discharging its mandates.

On the other hand, Masika (2013) examined the effect of the risk based internal auditing on the effectiveness of the internal audit in regulatory state corporations in Kenya. The study concluded that the internal audit in RSCs in Kenya has struggle and attained a good level of effectiveness. However, there were noted weaknesses in

management support of the internal audit function, as well as the ability of the internal audit function to capture the needs of the management.

2.6 Challenges of Internal Audit Functions in Tanzania

Few studies on internal auditing have been carried out in the context of Tanzania. The focus of the studies was mainly on internal auditing rather than external auditing in public and private organizations. For example, Muro (2007) carried out a study on TTCL and found out that staff carrying out the internal auditing functions at the organization were inadequate and lacked the necessary skills to perform their job effectively.

Moreover, the findings showed that there was no auditing committee at the organization. Another study by Mmasi (2005) found out that lack of resources hindered the effectiveness in auditing as it resulted into lack of funds and resources to support periodic auditing and inadequacy of staff to carry out auditing functions.

The study recommended allocation of more resources to support recruitment of auditing staff as well as support periodic auditing.

2.7 Research Gap

The effectiveness of internal audit in organizational performance (Eden and Moriah, 1996) as cited by Cohen and Sayag (2010) and monitored their performance for a year. Their findings showed that performance of organizations depends largely on the internal auditing function. Therefore, this study generally intends to evaluate the factors leads to effectiveness of internal audit function in Arusha DC. (Independent variables).

2.8 Conceptual Framework

Young (2009) defines conceptual framework as a diagrammatical representation that shows the relationship between dependent variable and independent variables. The conceptual framework developed shows the relationship existing between the service quality and customer satisfaction.

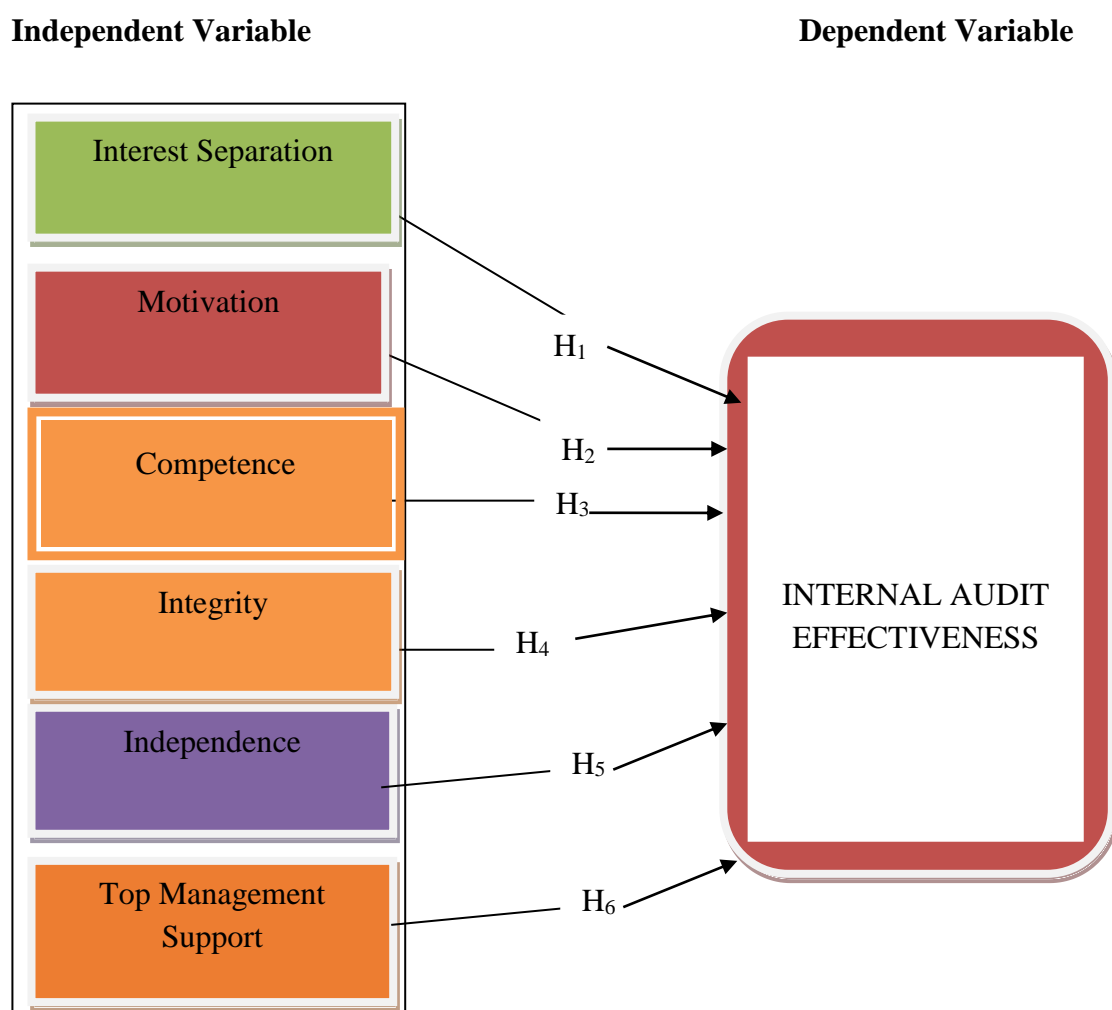


Figure 2.1: Conceptual Framework

Source: Syntheses of Literature Review (2018)

Based on the preceding discussions and related theories, this study postulated the following theoretical framework as shown in Figure 2.1. Effectiveness of internal audit helps for achieving performance, profitability and prevents any lack or loss of revenues in particular.

Audit effectiveness is an outcome of auditors' activity, duties, policies and procedures. His audit effectiveness refers to 'achieving audit' objectives by gathering of sufficient and appropriate audit evidence in order to get a reasonable opinion regarding the financial statement compliance with generally accepted accounting principle. Management support to Internal Audit Units. Organizational setting Authoritative setting incorporates status of inward review unit in the council's structure and inside review detailing structure. The inside review capacity of a council ought to be given high status in the association structure to empower better correspondence with senior administration and to guarantee autonomy of inward review from the audited. The internal audit unit of the chambers is working such that has guide access to the administration.

This gives hypothetical autonomy of interior review unit, implying that the part of inward review relies upon the uprightness of Accounting Officer as opposed to association structure, while at Arusha Council there are no such things as opposed to sitting tight for drafts of quarterly reports for dialog. This circumstance in spite of study led by Kunze (2010) when expressed that, association structure is a stumbling hinder on inside review work and thusly neglect to satisfy its parts. The internal audit unit in every council (LGA'S) reports direct to the Council Director who is likewise mindful to reinforcing inward control framework in the council.

Inside such conditions, it could be exceptionally troublesome for internal audit unit to be focused on the hierarchical objective on guaranteeing successful monetary administration. Consequently, the above perceptions demonstrate that authoritative structure is plainly recognized the inside review capacity and correspondence channel.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview

This chapter explains the design and the methods that were used in this study.

It presents the research design, population and, nature of sample and sampling procedure, area of study, type of data, methods of data collection, and methods of data analysis tools.

3.2 The Research Design

Research design is the framework plan for the study used as a guide in collecting and analyzing data. Gill and Johnson (1997) suggest that research design is the road map used to guide the implementation of the study. It is a plan that is to be followed in completing study of activities to be carried out systematically to achieve the research objective.

According to Saunders, *et al* (2009), an appropriate research strategy must be based on research questions and objectives. According to Saunders, *et al* (2009), an appropriate research strategy must be based on research questions and objectives. The extent of the existing knowledge about the subject area to be studied, the time span, the resources availability and the philosophy underpinnings of the research.

This study employed a descriptive research design.

The descriptive studies are concerned with specific predictions, narrations of facts and characteristics concerning individuals, groups or situations.

The aim of the study was to investigate and get an close to an unknown phenomenon, that is the effectiveness of internal audit function is in quality and management support.

3.2.1 Research Philosophy

Research philosophy is an important part of research methodology. Research philosophy is classified as ontology, epistemology and axiology. These philosophical approaches enable to decide which approach should be adopted by the researcher and why, which is derived from research questions (Saunders, Lewis, & Thornhill, 2009). The important assumptions are present in research philosophy which explains about the researcher's' view regarding the world. These assumptions will determine research strategy and the methods of that strategy.

3.3 Research Approach

Both quantitative and qualitative approaches were employed to collect data as approach methods. Quantitative data collection techniques largely used questionnaires, qualitative data collection involved unstructured questionnaires, and interview guides techniques and Likert scale question.

It is important to select the research approach after considering the distinction between two main researches in adhering to the research norms (Saunders, *et al.*, 2012).

Creswell (2009) identifies two major research approaches in social research, namely quantitative and qualitative research.

Quantitative research is viewed as a research strategy that is built and emphasizes on the quantification of data while qualitative approach highlights and emphasizes on the words.

Quantitative approach entails a deductive approach to the relationship between theory (ies) in which the accent is placed on findings, cause and effect of such constructs built from theories, and the norms of the natural science model (Saunders, et al., 2012). On the other hand, according to Bryman and Bell (2007).

Qualitative research can be viewed as a strategy that usually emphasizes on words rather than on quantification in data collection and data analysis. Multiple correlation analysis method was used to analyses the relationship between various independent and dependent variables. Multiple correlation analysis is more open to analyze because it allows us to *describe* control for many other factors, which affect the dependent variable.

Both independent and dependent variables used for testing economic theories and for evaluating policy effects when they depend on non-experimental data. Multiple correlation models put up many explained variables that may be related; we can hope to assume causality in cases where simple correlation analysis would be misleading (Wooldridge, 2003).

3.4 Survey Population

A research population is usually a large pool of individuals or objects that is the key focus of a scientific inquiry. Researchers usually cannot test every individual in the

population, as it is too costly and time-consuming; they rather count on sampling techniques (Explorable.com Nov 15, 2009). In this light, nonetheless, the target population of this study was comprised of the employees working in Arusha District Council. This created an atmosphere that allowed them to speak freely. The researcher was affiliated with 120 potential participants. The people involved in the study was the individuals involved in evaluation of effectiveness of internal audit in Arusha DC. The unit of analysis was the Ward Executive Officers (WEOs), Village Executive Officers (VEOs), internal auditors, Accountants, District Planning Officer (DPLO) and heads of departments under which development projects are undertaken.

3.5 Area of the Study

The study was conducted in Arusha District Council (ADC). Arusha District Council is among of Local Government Authority established under Local Government (District Authorities) Act Cap 287 R.E 2002 as a Local Government Authority. The researcher has chosen Arusha District Council because it is accessible with his budget and it is under local government authority, as it becomes easy to receive funds from central government and donors, hence, easier to access information regarding internal audit.

3.6 Sampling Design and Sample Size

Sampling is referred to as the process of selecting units from a population of interest of the researcher. Back to the population from which they were chosen. (Churchill & Iacobucci, 2002) has defined sampling as the researcher selected a selection of a subset of elements from a large group of objects.

Based on likert scale to evaluate the analysis through 1= Strongly agree, 2= Disagree, 3= Agree, 4= Neutral,5=Strongly disagree

The sample size was 120 populations.

3.6.1 Sampling Design

Sampling is done due to constraints of time, money and accessibility of data to the entire population (Cohen, *et al.*, 2007).

This study employed non-probability sampling technique.

Non-probability sampling involved a purposive sampling.

Purposive sampling is a type of non-probability sampling in which the researcher on purpose selecting only qualified employee leaving non-qualified community. Table 3.1 Descriptive Statistics as shown below.

Table 3.1: Descriptive Statistics

| | MaximumMean | Std. Deviation |
|------------------------------|-------------|----------------|
| Internal audit effectiveness | .9500 | .21886 |
| Management support | .9417 | .23536 |
| Integrity | .8000 | .40168 |
| Motivation | .8000 | .40168 |
| Independence | .7583 | .42989 |
| Interest separation | .6500 | .47897 |
| Competence | .6500 | .47897 |

From the above data, Internal audit effectiveness with mean 0.95 having standard deviation of 0.22 and Management support with mean 0.94 having standard deviation of 0.24, shows that all respondents are more strongly agree with the evaluation effectiveness conducted by the function of an auditor, enabling the government to release funds /grants for development.

Motivation Of mean 0.80 having standard deviation of 0.40 and Integrity with the same mean 0.8 having standard deviation of 0.40 are neutral to support the management to work together with auditors. But the Independence of mean 0.76 Independence, having standard deviation of 0.43 showing that there are agree evaluation effectiveness conducted by the function of an auditor.

3.6.2 Sample Size

Sample size refers to the number of items to be selected from the universe to constitute a sample it includes 1 DPLO, 87 VEOs, 27 WEOs, 3 Internal Auditors and 2 Accountants. It should be optimum in size (i.e. neither be excessively large, nor too small). An optimum sample is one, which fulfills the requirements of efficiency, representativeness, reliability, and flexibility (Kothari, 2006). Kothari (2006) defined a sampling design as a definite plan for obtaining a sample from a given population.

It refers to the technique or the procedure the researcher would adopt in selecting items for the sample. Sample design is determined before data are collected. The researcher applied a simplified formula provided by Yamane (1967) as cited by YilmaMuluken to determine the minimum required by population size (N) of 120 Population.

3.7 Data Collection Methods

In order to accomplish the objectives in this research and come up with the correct results. The researcher uses primary data and secondary data for data collection. Primary data are those data, which are collected as fresh from the respondents for the

first time and thus happened to be original in character (Kothari, 2006). Therefore, Primary data are original works of research or raw data.

3.7.1 Primary Data

Primary data were collected from different study of questionnaire, they are original in nature. In this study, primary data were collected from the respondents through self-administered, semi-structured questionnaires. Personal interviews provided the opportunity for the interviewer to clarify issues.

3.7.2 Secondary Data

Another type of data that was used in this study is secondary data which, according to Kothari (2004, p. 111) refers to data, which are already available from different sources.

3.8 Research Instruments

This study employed three research instruments.

3.8.1 Questionnaire

Questionnaire is a set of questions, which are usually sent to selected respondents to answer at their own convenient time and return the filled questionnaire to the researcher (Kothari, 2004). In this study, self-administered questionnaires were distributed to one hundred twenty (120) respondents who filled them, and administer them.

3.8.2 Interview

According to (Kothari, 2006), an interview is a set of questions administered through oral or verbal communication between the researcher and the interviewee respondent (internal auditors, District Planning Officer (DPLO), Accountants, Village executive officers (VEOs) and Ward Executive Officers (WEOs). Likert scale was also used for research question

3.9 Instrument Validity and Reliability

3.9.1 Instrument Validity

This study employed construct validity whereby the data obtained through the questionnaires represented a theoretical concept meaningfully and accurately. This method was considered reliable after a pilot study was conducted using test-retest method to same group of respondents yielding consistent results. The test-retest method that was used in testing instrument validity yielded consistent results (100% consistency). Internal Validity: Pilot study was used to test questionnaires. Piloting by testing the questionnaires prior to sending them to the selected sample ensured internal validity of the study. The testing was done so that the questionnaires were reviewed and tested as appropriate. This was done to ensure that the questions asked concentrated on the issues essential to the survey. This also ensured that the right questions with proper ingredients were asked.

This increased the reliability of answers and their consistency throughout the survey questionnaires. The questions were checked against a set of questions used in similar researches that were undertaken previously. Face Validity: Validity is the degree to

which the findings correctly map the phenomenon in question. The researcher utilized other professionals, research colleagues and other experts to examine the questionnaires to ensure facial validity and the contents. Their comments and suggestions were used to revise the questionnaires before preparing the final instrument. Content Validity.

The content validity refers to the representativeness of the item content domain: the manner in which the questionnaire and its items are built to ensure the reasonableness of the claims of content validity. The rigorous procedures used to select the questionnaire constructs to form the initial items, personal interviews with experts, and the iterative procedures of scale purification imply that the instrument had strong content validity.

3.9.2 Instrument Reliability

Reliability is the extent to which a test or procedure of data collection yields similar results under constant conditions on all occasions. That is, if we repeated to evaluate effectiveness of internal audit function in capital development on capital grants, normally a person gets the same answer each time. According to Bell (1997), there are several devices for checking reliability in scales and tests such as Test and re-test, alternative forms methods or split half method. The reliability of this study's instruments was ascertained by using Cronbach's Alpha test.

3.10 Data Processing and Analysis

After collecting data, editing, code and analysing data was done in the form of tables, percentages, and frequency. The data interpretation was made basing on the evidence

that was depicted from well-analysed data through multiple Correlation analysis method. Data analysis and interpretation helped me to answer the research questions and ultimately recommend what should be done concerning internal audit functions on local government authority in Arusha District Council and Tanzania in general.

3.11 Research Ethics

The ethical consideration was observed in getting informed approval from the evaluation of internal audit function in Arusha DC. The researcher-consulted supervisor on ethical issues in the council, the researcher abides with confidentiality from the people who needed information; there were no exposing or leaking of information without approval of the person who provided information. Also, it was humbled to cultural and belief of respondents. There were no bias, exposing leaking, hyperbolizing and understatement of the information from the respondents.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS/RESULTS

4.1 Overview

This chapter presents and discusses results with regard to study objectives. It covers results and descriptions of the demographic characteristics of the respondents, reliability analysis and justification. This chapter explains the research findings. The details include the personal data of respondents, findings on my research questions, To access the extent to which the audit system function is effective in Arusha DC, To find out factors associated with effectiveness of internal audit function in arusha DC, and to identify challenges of internal audit functions under local Government authority (LGAs) in Arusha DC.

4.2 Research Findings

This part presents the research findings of the study. These findings include the results from primary and secondary data. Primary data were collected from the questionnaire and the secondary data were collected from the sources of the information, which have already exist.

4.2.1 The Study Sample

The sample of this study was extracted from chapter three. The demographic characteristics of the respondents collected by the study include age, gender, education level, job experience, and Designation. The descriptions of respondents' demographic characteristics appear in the following sections tables give more description of the study sample. Since the sampling was purposive, it is important to give a thorough description of the sample characteristics as shown below;

4.2.2 Gender (Sex) of the Respondents

Since it is important to consider gender balance, the sample selected includes respondents from both sexes. As shown on the Table below, out of 120 respondents, 69 respondents were male which is equal to 57.5% and 51 respondents were female which is equal to 42.5%, therefore males have more understanding the system of the evaluation of effectiveness of internal audit, we conclude that male are able to help the management to evaluate audit effectiveness function compare to female were randomly selected as shown below Table 4.1.

Table 4.1: Age of Gender

| | | Respondent | Percentages |
|-------|--------------|-------------------|--------------------|
| Valid | Male | 69 | 57.5 |
| | Female | 51 | 42.5 |
| | Total | 120 | 100.0 |

Source: Field Data 2018

4.2.3 Age of Respondents

Table 4.2 summarizes the respondents age distribution. It shows that majority of the respondent (48.3%) aged between 21-30, followed by two groups aged 31-40 and 41-50 with equal respondents at 22, or 18.3 and those above 50 years (15%) This shows majority of respondents were in active age, to carry the audit function so as to support the management .We conclude that respondents above 50 are unable to work hard and unable to support management and young youth aged between 21-30 there able to work hard and able to support the management as shown below Table 4.2.

Table 4.2: Age of Respondents

| | | Respondent | Percentages |
|-------|----------------|-------------------|--------------------|
| Valid | 21-30 | 58 | 48.3 |
| | 31-40 | 22 | 18.3 |
| | 41-50 | 22 | 18.3 |
| | Above 50 years | 18 | 15.0 |
| | Total | 120 | 100.0 |

Source: Field Data 2018

4.2.4 Education Level of Respondents

The table below shows that out of 120 respondents; 70 have Diploma education (58.3%), 1 respondent has CPA (0.8%), 49 respondents have various Bachelor degree (40.8%). This implies that. Respondents were people who have enough education to understand the relevant issues investigated by this study. We conclude that, respondents of Diploma are able to support the management and are able to work hard compare to bachelor degree, due to long experienced of the diploma holder. Therefore my research was only based on Diploma, Degree and professional (CPA) not otherwise to Postgraduate education level of respondents were summarizing in Table 4.3 below.

Table 4.3: Education Level of Respondents

| | | Respondent | Percentages |
|-------|--------------|-------------------|--------------------|
| Valid | Diploma | 70 | 58.3 |
| | CPA | 1 | .8 |
| | Bachelor | 49 | 40.8 |
| | Total | 120 | 100.0 |

Source: Field Data 2018

4.2.5 Work Job Experience of the Respondents

Work experience is important in serious tasks such as function of internal audit unit. Table 4.4 below shows the work experience of the respondents where 47 respondents have below 5 years working experience (39.2%), 43 respondents have 5-10 years working experience (35.8%), 30 respondents have above 10 years working experience (25%). The results implies that the most of people who enough experience are able to deliver and to support the Management to effect audit function. The results are shown in the Table 4.4 below.

Table 4.4: Job Experience of the Respondents

| Likert scale | Respondents | Percentages |
|---------------------|--------------------|--------------------|
| Below 5 years | 47 | 39.2 |
| 5-10 years | 43 | 35.8 |
| Above 10 years | 30 | 25.0 |
| Total | 120 | 100.0 |

Source: Field Data 2018

4.2.6 The Designation of the Respondents

The respondents are from different designations in the Arusha DC and others parts of Different LGAs are adhered the instruction given by internal unit function in to evaluate the effectiveness in internal system. The below table shows the designation of the respondents where are 87 VEOs (72.5%), 27 WEOs (22.5%), 3 Internal Auditors (2.5%), 2 Accountants (1.7%) and 1 District Planning Officer (0.8). We conclude that respondents VEO'S (72.5) are to work hard and are to support management to carry audit function. This result implies that evaluation of effectiveness of internal audit in local government authority by people of different status as shown in Table 4.5 below.

Table 4.5: Designation of the Respondents

| | Respondents | Percentages |
|---------------------------|--------------------|--------------------|
| WEO'S | 27 | 22.5 |
| VEO'S | 87 | 72.5 |
| Internal Auditors | 3 | 2.5 |
| Accountants | 2 | 1.7 |
| District Planning Officer | 1 | .8 |
| Total | 120 | 100.0 |

Source: Field Data 2018

Other factors influencing the evaluating the effectiveness on internal auditing system in Arusha DC. The researcher used the likert scale ranking the following scales: based: 5= strongly agree, 4= Agree, 3= Neutral, 4=Disagree, 1= Strongly disagree

This was the second specific research objective; it aimed at to finding out factors associated with effectiveness of internal audit function in Arusha DC. The factors, which affect internal auditing system in Arusha DC, include all independent variables of these study research. The researcher to capture respondent's opinion the extent of influence of each factor mentioned in Arusha DC used the questionnaire method. Likert scale was used to find out the people's perception on influence of each factor on Internal auditing system in Arusha DC where by all the 120 respondents were asked to rank the factors by using the five-likert scale. The results of the ranking done by the respondents are shown in the tables below.

This study employed semi-structured questionnaire with five-likert scale. For purposes of this study, data collection was collected from internal auditors and other

administrators such as WEOs, VEOS, accountants, district planning officer and heads of departments under which development projects are undertaken. The questionnaires were closed ended such that the interviewees assessed their effectiveness on a 5-point scale (5= Strongly agree, 4= Agree, 3= Neutral, 4=Disagree, 1= Strongly disagree).

4.2.8 Interest Separation

The respondents were asked to rank their views on the statements of Effectiveness of internal auditing function in Arusha DC. The results in Table 4.6 below indicates that 40 respondents or 33.33% Strongly agree on the questionnaire, 39 respondents or 32.5% agree, 3 respondents or 2.5% neutral, 7 respondents or 8.33% disagree, 31 respondents 25.83% Strongly disagree.

According to the findings, it shows that Interest separation strongly agree the effectiveness of internal auditing function influence the function of internal audit function in Arusha DC as, shown in Table 4.6 below:

Table 4.6: Interest Separation

| Likert Scale | Respondent's | Percentage |
|---------------------|---------------------|-------------------|
| 5=Strongly agree | 40 | 33.33% |
| 4= Agree | 39 | 32.5% |
| 3= Neutral | 3 | 2.5% |
| 2=Disagree | 7 | 5.83% |
| 1=Strongly disagree | 31 | 25.83% |
| Total | 120 | 100 |

Source: Field Data 2018

4.2.9 Motivation

The respondents were asked to rank their views on the statements that Motivation of Effectiveness on Internal Auditing in Arusha DC. The results indicate that 58 respondents or 48.33% Strongly Agree, 42 respondents or 35.00% Agree, 3 respondents or 2.5% neutral, 5 respondents 4.17% disagree, 12 respondents 10.00% Strongly disagree. This implies that Motivations in Arusha DC helps the function of audit unit to be effective to support the management to satisfy their demand of their works. Results are as shown in table 4.7 below:

Table 4.7: Motivation

| Likert Scale | Respondent's | Percentage |
|---------------------|---------------------|-------------------|
| 5= Strongly Agree | 58 | 48.33% |
| 4= Agree | 42 | 35.00% |
| 3=Neutral | 3 | 2.50% |
| 2=Disagree | 5 | 4.17% |
| 1=Strongly disagree | 12 | 10.00% |
| Total | 120 | 100 |

Source: Field Data 2018

4.3 Competence

The respondents were asked to rank their views on the statements that competence of staff's influences auditing function in Arusha DC. The finding indicates that 60 respondents or 50.00 % Strongly Agreed, 49 respondents 40.83% Agree, 1 respondents or 0.83% neutral 8, 2 respondents 1.67% disagree, 8 respondents or 6.67% Strongly disagree. This implies that competence of some internal auditing staff would influence the management to work hard in Arusha DC. The results are shown in table 4.8 below;

Table 4.8: Competence

| Likert Scale | Respondent's | Percentage |
|---------------------|---------------------|-------------------|
| 5= Strongly Agree | 60 | 50.00% |
| 4= Agree | 49 | 40.83% |
| 3=Neutral | 1 | 0.83% |
| 2=Disagree | 2 | 1.67% |
| 1=Strongly disagree | 8 | 6.67% |
| Total | 120 | 100 |

Source: Field Data 2018

4.3.1 Integrity

The respondents were asked to rank their views on the statements that the integrity of the function of the auditor, should influence to release fund from the government in Arusha DC. The finding indicates that 70 respondents or 58.33% Strongly agree, 20 respondents or 16.67% agree, 8 respondents or 6.67% neutral, 10 respondents or 8.33% disagree, 12 respondents or 10.00% Strongly disagree. This implies that the integrity of an auditor's function has influenced to the government to release fund early in Arusha DC as most of the respondent Strongly Agree with 58.33%. The results are shown in the Table 4.9 below;

Table 4.9: Integrity

| Likert Scale | Respondent's Frequency | Percentage |
|---------------------|-------------------------------|-------------------|
| 5= Strongly Agree | 70 | 58.33% |
| 4=Agree | 20 | 16.67% |
| 3=Neutral | 8 | 6.67% |
| 2= Disagree | 10 | 8.33% |
| 1=Strongly disagree | 12 | 10.00% |
| Total | 120 | 100 |

Source: Field Data 2018

4.3.2 Independence

The respondents were asked to rank their views on the statements that independence influences an auditor's function to exercises their duties in order to attain the value of money from the management project. The findings indicate that 85 respondents or 70.83 strongly agreed, 15 respondents or 12.5% Agree, zero were neutral to all, 6 respondents or 5.00 % disagree, 14 respondents or 11.67% Strongly disagree. It implies that independence is one among factor that influences auditors' function to support the management. The findings are shown in the Table 4.10 below:

Table 4.10: Independence

| Likert Scale | Respondent's | Percentage |
|---------------------|---------------------|-------------------|
| 5=Strongly Agree | 85 | 70.83% |
| 4= Agree | 15 | 12.5% |
| 3= Neutral | 0 | 0.00% |
| 2=Disagree | 6 | 5.00% |
| 1=Strongly disagree | 14 | 11.67% |
| Total | 120 | 100 |

Source: Field Data 2018

4.3.3 Management Support

The respondents were asked to rank their views on the statements that management Support influences an auditor's function to exercises their duties in order to attain the value of money from the management support. The findings indicate that 90 respondents or 75.0 0% strongly agreed, 20 respondents or 16.67% agree, 1 respondent or 0.83% neutral, 3 respondents or 2.5% disagree, 6 respondents or 5.00% strongly disagree. According to these findings, it implies that Management Support is one among factors that help the internal auditor's function to support their works effectively to attain efficiency. The findings are as shown in Table 4.11.

Table 4.11: Management Support

| Likert Scale | Respondent's | Percentage |
|---------------------|---------------------|-------------------|
| 5=Strongly agree | 90 | 75.00% |
| 4=Agree | 20 | 16.67% |
| 3=Neutral | 1 | 0.83% |
| 2=Disagree | 3 | 2.5% |
| 1=Strongly disagree | 6 | 5.00% |
| Total | 120 | 100 |

Source: Field Data 2018

Table 4.12 Correlations

| | | Interest separation | Motivation | Competence | Integrity | Independence | Management support | Effectiveness of internal audit function |
|--|---------------------|---------------------|------------|------------|-----------|--------------|--------------------|--|
| Interest separation | Pearson Correlation | 1 | -.367** | 1.000** | -.367** | .524** | -.108 | -.168 |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .240 | .066 |
| | N | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| Motivation | Pearson Correlation | -.367** | 1 | -.367** | 1.000** | -.282** | -.124 | -.115 |
| | Sig. (2-tailed) | .000 | 1 | .000 | .000 | .002 | .176 | .212 |
| | N | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| Competence | Pearson Correlation | 1.000** | -.367** | 1 | -.367** | .524** | -.108 | -.168 |
| | Sig. (2-tailed) | .000 | .000 | 1 | .000 | .000 | .240 | .066 |
| | N | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| Integrity | Pearson Correlation | -.367** | 1.000** | -.367** | 1 | -.282** | -.124 | -.115 |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .002 | .176 | .212 |
| | N | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| Independence | Pearson Correlation | .524** | -.282** | .524** | -.282** | 1 | -.141 | -.130 |
| | Sig. (2-tailed) | .000 | .002 | .000 | .002 | .000 | .126 | .159 |
| | N | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| Management support | Pearson Correlation | -.108 | -.124 | -.108 | -.124 | -.141 | 1 | .759** |
| | Sig. (2-tailed) | .240 | .176 | .240 | .176 | .126 | 1 | .000 |
| | N | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| Effectiveness of internal audit function | Pearson Correlation | -.168 | -.115 | -.168 | -.115 | -.130 | .759** | 1 |
| | Sig. (2-tailed) | .066 | .212 | .066 | .212 | .159 | .000 | 1 |
| | N | 120 | 120 | 120 | 120 | 120 | 120 | 120 |

Correlation is the relationship between two parties, which are relating and non-relating parties, showing the positive and the negative correlation. Positive correlation, shows the strong correlation and the negative correlation, shows the weak correlation. From the above table, shows the following relationship Interest separation in vertical line, matches with horizontal line in Interest separation, which is 1 positive correlation.

Motivation with interest separation is a weak/negative correlation having the value of -.367, independence interest separation, is a positive 0.524 value correlation shows that independent of an auditor can work more efficiency to their duties compare to motivation, if an auditor or management are not given motivation the work cannot move/go more effectiveness of auditing function. From the study of interest separation, vs Effectiveness of internal audit function there is -.68-value weak/negative correlation, no support from staff management, an auditor cannot evaluate their goals or performance of an audit function.

Motivation vs interest separation indicates that, there is weak/negative correlation having-.367 value correlation, meaning that an Auditor cannot evaluate their duties more effectiveness of internal audit function. Motivation vs. integrity indicates that, there is positive/strong correlation with 1 values from the table, meaning that an Auditor can evaluate their duties more effectiveness of internal audit function. Also the table motivation vs. integrity indicates that, there is positive/strong correlation with 1 values, meaning that an Auditor can evaluate their duties more effectiveness of internal audit function.

Motivation vs. independent, an auditor cannot evaluate their auditor function due to weak/negative value $-.282$ correlation, while in motivation vs. management support, there is also weak correlation, therefore an auditor cannot evaluate their auditor function due to weak/negative value $-.124$ correlation as well as they cannot evaluate the effectiveness of audit function due to weak/negative value $-.115$ correlation.

Competence vs. interest separation gives positive/strong correlation with 1 value from the table, meaning that an Auditor can evaluate their duties more effectiveness of internal audit function. Competences motivation gives weak correlation; therefore, an auditor cannot evaluate their auditor function due to weak/negative value $-.367$ correlation, no support at all.

Competence vs. competence gives 1 value strong/positive correlation, which gives positive/strong correlation with 1 value from the table, meaning that an Auditor can evaluate their duties more effectiveness of internal audit function. Competences vs. integrity, gives weak/negative value $-.367$ correlations, no support at all, while in competences vs. independence gives $.524$ -value strong/positive correlation.

The least of competence vs. management support, effectiveness of audit function, gives weak correlation having $-.108$ and $-.168$ values, therefore an auditor cannot evaluate their auditor function due to weak/negative value. Integrity vs. motivation from the table shows that, there is positive/strong correlation with 1 values from the table, meaning that an Auditor can evaluate their duties more effectiveness of internal audit function, compare with the value of $-.367$ which are weak correlation from integrity vs. interest separation as well as competences, indicating that no

effectiveness of internal audit function. Also from the table of integrity vs. independence having the value of -.282.

Integrity vs. management support having a value of -.124 and integrity vs. effectiveness of internal audit function showing the gives/ weak correlation, therefore an auditor cannot evaluate their auditor function due to weak/negative value.

Independence vs. interest separation there is positive/strong correlation with .524 values from the table, meaning that an Auditor can evaluate their duties more effectiveness of internal audit function, Independence vs. motivation shows that gives/ weak correlation, therefore an auditor cannot evaluate their auditor function due to weak/negative value. of -.281 value.

Independence vs. competence there is positive /strong correlation with .524 values from the table, meaning that an Auditor evaluate their duties more effectiveness of internal audit function. Independence vs. integrity gives the weak correlation, therefore an auditor cannot evaluate their auditor function due to weak/negative value -.281 correlations, no support at all to audit function. Independence vs. independences gives positive/strong correlation with 1 values from the table, meaning that an Auditor can evaluate their duties more effectiveness of internal audit function.

Independence vs. Management support also it gives weak correlation, therefore an auditor cannot evaluate their auditor function due to weak/negative value. of -.141 value.

Independence vs. Effectiveness of audit function also gives the weak correlation of value of $-.130$ therefore an auditor cannot evaluate their auditor function due to weak/negative value $-.130$ correlations, no support at all to audit function. Management support vs. Interest separation from the table above, it gives the weak correlation, therefore an auditor cannot evaluate their auditor function due to weak/negative value $-.108$ correlations, no support at all to audit function.

Management support vs. motivation if gives the weak correlation of value of $-.124$ therefore an auditor cannot evaluate their auditor function due to weak/negative value $-.124$ correlations, no support at all to audit function. Management support vs. competence shows that, gives/ weak correlation; therefore an auditor cannot evaluate their auditor function due to weak/negative value. of $-.108$ value.

Management support vs. Integrity gives weak correlation; therefore, an auditor cannot evaluate their auditor function due to weak/negative value. of $-.124$ value.. Management support vs. Independence, gives also the gives weak correlation, therefore an auditor cannot evaluate their auditor function due to weak/negative value. of $-.141$ value no corporation at all with the management. Management support vs. Management support, gives positive/strong correlation with 1 values from the table, meaning that an Auditor can evaluate their duties more effectiveness of internal audit function.

Management support vs. Effectiveness of audit function, it gives value strong/positive correlation, which gives positive/strong correlation with $.759$ values

from the table, meaning that an Auditor can evaluate their duties more effectiveness of internal audit function.

Effectiveness of audit function vs. Interest separation give also weak correlation. An auditor cannot evaluate their auditor function due to weak/negative value. of -.168 value no corporation at all with the management as well as the Motivation. also gives the –weak correlation of .115 value correlation-.168 from competence, -.111 from integrity ,-.130 from independence are week correlation no support at all from the management accept management support with value of .759,1 strong positive correlation gives positive/strong correlation with .759 values from the table, meaning that an Auditor can evaluate their duties more effectiveness of internal audit function.

4.5 Interest separation

The research findings presented that Internal Auditors function in this study shows that Interest separation of 0.690 is strong positive correlation. Management support having 0.240 positive correlations, while motivation competence, independence integrity having both 0.000 is zero correlation meaning that the respondents they cannot support the management during audit function. 0.66, which is effectiveness of internal auditing function, will support the interest separation to conduct the duties of the auditors in Arusha DC.

4.6 Motivation

The research findings presented that Internal Auditors function in this study; shows that Job Experience of 0.152 and 0.176, shows that, management support are positive

correlation. Interest separation, Competence, Integrity having both 0.000 is zero correlation meaning that the respondents they cannot support the management during audit function.

4.7 Competence

The research findings presented that Internal Auditors function in this study, shows that Job Experience of 0.690 and 0.240 management support are positive correlation. Interest separation, motivation Integrity independence both are having both 0.000 are zero correlation meaning that the respondents they cannot support the management during audit function. 0.66, which is effectiveness of internal auditing, function; it will support the Competence to conduct the duties of the auditors in Arusha DC.

4.8 Integrity

The research findings presented that Internal Auditors function in this study, shows that Job Experience of 0.152, 0.176 of management support 0.002 are positive correlation. Interest separation, motivation Integrity and competence both are having 0.000 are zero correlation meaning that the respondents they cannot support the management during audit function. 0.212 Which is effectiveness of internal auditing function it will support the Integrity to conduct the duties of the auditors in Arusha DC.

4.9 Independence

The research findings presented that Internal Auditors function in this study shows that Job Experience of 0.846, 0.002 motivations, 0126 management support and

0.002 integrity are positive correlation. Interest separation, competence Integrity are both having 0.000 are zero correlation meaning that the respondents they cannot support the management during audit function. 0.159, which is effectiveness of internal auditing function, will support the Independence to conduct the duties of the auditors in Arusha DC.

4.10 Management Support

The research findings presented that Internal Auditors function in this study, shows that Job Experience of 0.285, interest separation having 0.240 motivation having 0.176 competence having 0.240, integrity having 0.176, independence having 0.126 are positive correlation.

There is no zero correlation (0.000) meaning that the respondents they can support the management during audit function. 0.000, which is effectiveness of internal auditing function, will not support the Management support to conduct the duties of the auditors in Arusha DC.

4.11 Effectiveness of Internal Auditing Function

The research findings presented that Internal Auditors function in this study, shows that Job Experience having 0.512 of interest separation, having 0.066 motivation having 0.212 competence having 0.0636, integrity having 0.212, independence having 0.159 are positive correlation. There is zero correlation (0.000) meaning that the respondents they cannot support the management during audit function in Arusha DC. From the table above 4.12, the research findings presented that Internal Auditor

in this study has autonomy in performing their work. Their level of independence is affected by many factors among them is their participation in non-audit duties in the councils. The common practice in the study area is that Auditor is a part of the management (in this case the Auditee). Their involvement in the managements 'financial conducts impairs their ability to work by auditing Principles. Independent variables play role of an auditors to conduct duties, which enable the management to support the functions of the auditors.

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 Overview

This chapter presents the discussion of the findings collected from the proceeding chapter it comprises of the discussion for descriptive statistics. This particular section relates the empirical results to previous studies and shows contributions by reviewing its process and responding to its main factors. The focus was to evaluate the effectiveness of internal audit function in Tanzania.

5.2 Factors for Effectiveness of Internal Audit Function in Arusha DC

This objective of the study intended to find out factors for effectiveness of internal audit function in Arusha DC. The results shows that, all the independent variable used in a study, integrity, independence, competency, motivation, separation of interest management support play a role in internal audit effectiveness, this means that all of these factors have a relationship with the effectiveness of internal audit function. When there is management support, meaning the auditing team will be provided with required information from the management that will assist them in accomplish their tasks.

Also accurate information from the management will help the team in doing their tasks. The office that motivate their subordinates lead them to work hard and hence their objectives will be achieved and the quality of their job will be seen and also value for money will be seen. When the auditing team is competence me don't expect for such good auditing report.

The study is in line with Caroline Shiho (2019) who revealed that internal audit function is effective if all the factors are in place such as competency, independent, management support, Integrity.

5.3 To what Extent is the Internal Audit Function Effective

The finding of this objective was to look the extent of which whether the internal audit is effective or not effective, from the result, the internal audit function is not effective, as there is not enough management support to them as resource in terms of number of staffs and periodic training is not conducted, the finding is supported by Caroline Shiho (2019) who revealed that internal audit function is not adequately performed in public organization, this is because internal auditors have a lot of responsibilities than their capacity to fulfil, further, the findings, show that internal auditors do not have independence to operate their function.

5.4 Challenges of Internal Audit Functions under the Local Government Authority in Arusha DC

This objective of the study intended to identify challenges of internal audit functions under the local government authority in Arusha DC, the result shows that effectiveness of internal audit function is faced with different challenges such as lack of periodic training to the unit. The finding is linked with the study of T. Shishiwa (2020) who revealed that audit practices and procedures do not comply with the international standard on audit faces challenges like lack of independence and technology and also negative attitude from fellow workers.

CHAPTER SIX

SUMMARY OF CONCLUSION, POLICY RECOMMENDATION

6.1 Overview

This chapter concludes the study; it highlights some policy implications because of research's findings and general recommendations as related to the study, conclusion, recommendations and areas for further study. It has five parts, which are overview, summary of the findings, conclusions, recommendations, and limitations of the study.

6.2 Summary of the Findings

This study was carried out to evaluate the effectiveness of internal audit function in Arusha DC. The study was guided by the three research objectives and three research questions, which has been a key guide in the entire of this study. In chapter two, includes conceptual definition, ideas, and different instructions which were presented to give knowledge on the way forward of the research by identifying the research gap. The population used in my study in Arusha DC has a sample size of 120 respondents.

The study was the purposive sampling techniques in obtaining the sample size. The data was collected through questionnaire, interview guide and likert scale. The research approach was Qualitative and Quantitative approach in data presentation in and therefore the discussion of the study was in the findings. The following are the summary of the research findings from the research objectives. There were three specific objectives and they are as follows;

- (i) To access the extent to which the audit system function is effective in Arusha DC.
- (ii) To find out factors associated with effectiveness of internal audit function in Arusha DC.
- (iii) To identify challenges of internal audit functions under Local Government Authority (LGAs) in Arusha DC.

The study found out that the effectiveness of internal audit function are highly recommended for every LGA'S, Central government and any organization to effect the quality assurance of an auditors in order to support the management for their intend goals.

6.3 Conclusion

The study shows that, there are many LGA in which they do not follow proper effectiveness of auditing function Arusha DC being among others. If the local government is not supported by the function of internal audit unit, the value of money will not be attainable at all. For example, if the auditors do not remind the government funds will not be released early for implementing their intended activities and also projects will not be implemented on time if funds will not be released from the central government.

Also I can conclude that effectiveness of internal auditing function depends on the independent variables explained in the study namely independent, competence, integrity, interest, separation and management support.

6.4 Limitations of the Study

The scope covers the factors, which limited the study during the research. The study was about evaluating the effectiveness of internal audit function Arusha DC. The challenge, which the researcher faced during his study, was difficulty in obtaining data timely, especially from the office of chief internal auditor of Arusha.

The targeted officers were, most of time busy doing some tasks outside the working station was not easy to access data from the office of DED and Chief internal auditor. due to confidential Insufficient internal audit staff unit. Low skilled Management support, most management there are not aware of the issue of audit function. Luck of funds to visit the other council to see whether they experience the same challenge as Arusha DC.

This made hard to relay only to my findings to conclude that they are applicable to the whole local government, rather than believing that as long as Arusha DC is among the council, so its finding represents the general picture for the factors for effectiveness and challenges. In respect of such limitations can see still the study was be of great important as it was saving the entire local government regarding internal audit.

6.5 Area of Further Study

Arusha DC selected to be the study area representing many other types of council. Therefore, there is a need of conducting the same study to other council to see if the same factors do affect the entire local government.

6.6 Recommendations

The study recommend the allocation of more resources to support recruitment of auditing staff as well as support periodic auditing so that they can perform their duties accordingly. In order to improve effectiveness of internal auditing function, as well as service training should be provided to them so that they become competent.

Solution of the problem, the Management should collaborate with the internal audit function unit in order to enhance the audit goals.

The possible changes need to be done in the following areas, there should be with the establishment of relationship between the reporting lines among head of internal audit and those charged with governance, parties whom the head of internal audit may report.

This will enable the head of internal audit to deliver an audit opinion of the nature specified by the council. Establish auditing team with good environment with the assessment to all records, assets, personnel and premises, and its authority to obtain such information and explanations, as it considers necessary to fulfill its responsibilities.

Effective implementation of the audit plan requires control over both the quantity and quality of the work produced by the audit staff. There is a little point in the careful preparation if staff will subsequently be allowed to exceed targeted times without adequate explanation or to produce poor quality work because of the time constraints or inexperience. It is the duty of Head internal auditor to provide the

internal audit staff the motivation and experience required in fulfilling their duties effectively.

Top management should work very closely with internal auditors to identify all risky areas regarding LGAs operations and other donors' projects. However, the top management should also act seriously on internal auditors' recommendations advices. They should not take 'ten percent' from the tendering agencies to avoid work below standard to be handled to them. Being a tendency of follow up for every delay in the disbursement of funds for each installment and appropriate measures should be taken to ensure it is not a recurrent situation. Management of Arusha DC has to make a closure follow up to the Ministry of Finance (Central Government) to release unreleased money on time for development planned in order to implement the targeted budget activities of the Council.

The contribution of this study to the government is of importance as the study tries to cover the effectiveness of internal auditing function in local government authority, it's findings can be used as remedy in other areas apart from the local government as the environment seems to be the same in organization control.

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APPENDICES

Appendix 1: Questionnaires

Introduction

This questionnaire aimed to collect information on the effectiveness of internal audit function in the Local government authorities in Tanzania with particular focus in Arusha District Council (Arusha region).

The success of this research depends much on your kindly assistance. In this case, we request you to take your valuable time to respond to the questions to the best of your knowledge. We assure you that the information obtained was only being for academic purposes.

QUESTIONS

What is the effectiveness of internal auditing system in Arusha District Council?

To what extent is the internal audit function effective on releasing money from Central government in Arusha District Council?

What are the factors associated with effectiveness of internal audit function in Arusha District Council?

What are the challenges facing internal audit function in Arusha District Council?

Internal audit effectiveness: an Ethiopian public sector case study

Author(s): Dessalegn Getie Mihret (Department of Accounting and Finance, Faculty of Business and Economics, Addis Ababa University, Addis Ababa, Ethiopia)

The purpose of the study is to identify factors affective of internal audit services

Design/methodology/approach Based upon a case study of a large public sector higher educational institution in Ethiopia, the paper examines how internal audit quality, management support, organizational setting, audited attributes, and the interplay among these factors, influence internal audit effectiveness.

Findings the findings of the study highlight that internal audit effectiveness is strongly influenced by internal audit quality and management support, whereas organizational setting and auditee attributes do not have a strong impact on audit effectiveness.

Research limitation/implications As in all case studies, the general ability of the conclusions is limited.

Originality/value Internal audit services have apparently hitherto been the subject of limited examination. However, this study, in arguably the most thorough treatment so far, highlights the areas requiring improvement.

Keywords: Internal auditing, Public sector accounting, Management attitudes, Organizational behaviour, Ethiopia

PART I: General Information. Tick the appropriate answer in the box in below.

Gender

Male

☐

Female

☐

Age

21-30 years

☐

31-40

☐

41-50

☐

Above 50 years

☐

Educational Level

Diploma

☐

CPA

☐

Bachelor

☐

Above bachelor

☐

Job experience

Below 5 years

☐

5 – 10 Years

Above 10 years

PART 11: Specific information

What is the effectiveness of internal auditing system in Arusha District Council?

.....

.....

.....

.....

What are the factors associated with effectiveness of internal audit function in Arusha District Council?

.....

.....

.....

.....

Does the budget of internal audit unit fulfill the requirement of audit section?

Yes ()

No ()

Don't know ()

Does internal audit annual work plan complete?

Yes ()

No ()

Don't know ()

What do you think about internal audit function being computerized?

.....

.....

.....

Are the internal auditors competent enough to perform their duties?

Yes ()

No ()

Don't know ()

To what extent is the internal audit function effective in Arusha District Council?

.....

.....

.....

What are the challenges facing internal audit function in Arusha District Council?

.....

.....

.....

What do you think is the independence status of the internal audit function? Or to what extent is the internal audit function in Arusha DC independent of management?

.....

.....

.....

Does the internal audit unit have required working facilities?

.....

.....

How would you rate your Agreement/Disagreement with the following statements which are addressing matters related to internal audit function effectiveness be provided by the Arusha District Council on which you are the LGAS(OUTLOOKS) in relation to the internal audit function service provided (OPINIONS)? Please put a tick on the appropriate cell “Strongly Agree” (SA = 1) Disagree (D = 2), Agree (A = 3), Neutral (N = 4) and Strongly Disagree (SD = 5)

| S/N | INTERNA AUDIT FUNCTION MEASUREMENTS | OUTLOOKS | | | | | | OPINION | | | | |
|-----|--|----------|---|---|---|----|--|---------|---|---|---|----|
| | | SA | D | A | N | SD | | SA | D | A | N | SD |
| | PRESENCE | | | | | | | | | | | |
| 1 | The interest separation of an Auditors are more competent enough to perform their duties. | 1 | 2 | 3 | 4 | 5 | | 1 | 2 | 3 | 4 | 5 |
| 2 | Motivation of an Auditors are more important to conduct their duties to be more effectiveness of audit | 1 | 2 | 3 | 4 | 5 | | 1 | 2 | 3 | 4 | 5 |

| | | | | | | | | | | | | |
|---|--|---|---|---|---|---|--|---|---|---|---|---|
| | function unit in Arusha DC. | | | | | | | | | | | |
| 3 | Competences of an auditor function will help the management to measure the value of money. | 1 | 2 | 3 | 4 | 5 | | 1 | 2 | 3 | 4 | 5 |
| 4 | Integrity, Independence, Management support are the most instruments of Independent variable of the study. | 1 | 2 | 3 | 4 | 5 | | 1 | 2 | 3 | 4 | 5 |
| 5 | Quality services provided by an Audit unit function, will influence their report to show true and fair view of financial statement in Arusha DC. | 1 | 2 | 3 | 4 | 5 | | 1 | 2 | 3 | 4 | 5 |

Appendix II: Introduction Letter

The Open University of Tanzania
Arusha Regional Centre
P O Box 19
Arusha

Tel: 255-027-2501865
Fax: 255-027-2501865
Email: drcarusha@out.ac.tz



Chuo Kikuu Huria cha Tanzania
Kituo cha Mkoa wa Arusha
S L P 19
Arusha

Simu: 255 027 2501865
Faksi: 255 027 2501865
Barua pepe: drcarusha@out.ac.tz

REF: PG201609026

17th July, 2017

THE DISTRICT EXECUTIVE DIRECTOR
ARUSHA DISTRICT COUNCIL
P.O. BOX 2350
ARUSHA

Sir/Madam

RE: INTRODUCTION LETTER

The Open University of Tanzania (OUT) is fully fledged, Autonomous Public University, established by An Act of Parliament Number 17 of 1992. The Act became operational on 1st March, 1993 by Publication of Government Notice No. 55 in the Official Gazette. The first Chancellor was officially installed in a full ceremony on 19th January, 1994 and the first batch of students was admitted in January, 1994. In January 2007, following enactment of the Universities Act No. 7 of 2005, OUT started using the OUT Charter and Rules (2007) for its Operations.

The Open University of Tanzania offers its certificate, diploma, degree and postgraduate courses through the open and distance learning system which includes various means of communication such as face-face, broadcasting, telecasting, correspondence, seminars, e-learning as well as a blended mode which is a combination of two or more programmes and are quality-assured and as centrally regulated by the Tanzania Commission for Universities (TCU).

The purpose of this letter is to introduce **MR. MNOFU MANYAMA** registration number PG201609026 who is our student at the Open University of Tanzania pursuing **MASTERS OF BUSINESS ADMINISTRATION (FINANCE)**. He request for data collection.

Please accord him necessary assistance he may need.

Yours Sincerely,


Marcel S. Masalu
DIRECTOR

THE OPEN UNIVERSITY OF TANZANIA
ARUSHA REGIONAL CENTRE
P.O. BOX 19, ARUSHA

Appendix III: Research Clearance Letter

EFFECTIVENESS OF INTERNAL AUDIT FUNCTION IN TANZANIA: A CASE STUDY OF ARUSHA DISTRICT COUNCIL

ORIGINALITY REPORT

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