



THE EVALUATION OF INTERNAL AUDIT FUNCTION EFFECTIVENESS IN PUBLIC SECTOR: A CASE OF TANZANIA

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Abstract

This study evaluates internal audit function in Tanzanian public sector context based on determinants established from literature. Criteria used for effectiveness are adequacy and competence of internal audit staff, management support and perception, independence of internal audit units, internal audit charter and audit committee. Documentary review and content analysis approach is used to this end. The study found that there are efforts to establish effectiveness of internal audit function in public sector organizations, although criteria for existence of effective internal audit function are not fully implemented. The findings reveals that there is inadequate internal audit staff, lack of career development plan, inadequate resources and absence of internal audit charter in public sector organization. This has partly caused inefficiency audit committee. The study recommend for implementations of laws, rules and regulations which govern internal audit units and compliance to IPPF (2012) issued by Institute of Internal Auditor which will consequently ensure efficiency of both audit committee and internal audit function.

Keywords: *Internal Audit, Effectiveness, Local Governments, Central Government, Government Agencies.*

1. Introduction

In recent times internal audit function has received attention globally for both private and public sector organization due to among others increased business complexity, competition and technology advancement (Burnaby and Hass, 2011). The existence of these complexities had led to collapse of international corporate bodies such as WorldCom, Quest, Tyco's and BCCI including the populous case of Enron Energy Corporation (Cotton, 2002, Vinary and Skaerbaek, 2014, Bekiaris et al. 2013, Gbadago, 2015, Tspouridou and Spathis, 2014). This change has forced managements of various organizations to acknowledge the role and importance of effective internal audit function (Al Ashmawy, 2006). It is worth to note that effectiveness in audit function is attained when the audit objective are achieved by the way of gathering sufficient, relevant and appropriate audit evidences on which practioners (auditors) bestow a reasonable confidence through opinion pertaining the presentation of financial statements that comply with generally acceptable accounting standards (Ussahawanitchakit, 2009).

The Institute of Internal Audit (2010), define internal audit effectiveness as the degree to which established objectives are achieved with quality. At the same time as Mihret and Yismaw (2007) delineate internal audit effectiveness as the extent to which an internal audit office meets its purposes. Vijayakumar and Nagaraja (2012) associate internal audit effectiveness with its ability to prevent loss of financial resources set aside to execute services that lead into increased effectiveness and efficiency in service delivery both in private and public sector. On top of that it helps to establish strong internal control system that ensures existence of efficient financial management (Ibrahim et al. 2014; Simunic, 1984; Wallace, 1984; Xiangdong). Besides, Ussahawanitchakit and Intakhan (2011) provide that internal audit effectiveness is an outcome of auditor activities, duties, professional practices and responsibilities through high commitment with audit standards, goals, objectives, policies and procedures. On the basis of the above definitions, this study defines internal audit effectiveness as the ability of internal auditors to aid an organisation to achieve its strategic mission timely, efficiently and with high quality.

Many organizations are increasingly showing interest to their internal auditors that allow securing guidance and advice at different level of management (Davies, 2001) because it has a great role in the organization process. As such the internal audit function do not only perform normal assurance activities but also provide strategic advice to the organization that add value in organization's processes (Al-Twaijry et al, 2003; Savouk, 2007; Mihret et al, 2010). It follows that an effective internal audit function is associated with a number of features to include; the ability to align internal audit structure and organization operation dynamics, strong relationship with management to maintain appropriate visibility with audit committee needs and expectation, strong service delivery that maintain focus of the audit and align with resources and plan and strong management skills which ensure that internal audit teams have appropriate skills and motivation (Alberta, 2005); level of training, education, and experience together with professional qualification of internal auditors improve internal audit effectiveness beside the above characteristics (Al-Twaijry et al, 2003) as well as being a tool that improves public confidence on matter related to financial reporting and corporate governance if it contains issues such as organization independence, existence of approved audit charter and unrestricted access of information, competent staff, existence of audit committee, sufficient funding, competent leadership, stakeholders support and professional audit standard (Belay, 2007). In order to achieve the prior pointed features the internal audit effectiveness is dependent on qualified and adequate staff, professionalism, and relationship with audit committee (Sarens, 2009).

On that background and discussions public sector organization should ensure efficacy of their internal audit function by providing necessary requirements in form of tools, resources and trust. Although several studies have been carried out to examine determinants of internal audit effectiveness, few studies such as Modibbo, (2015), Ariga, and Gathogo (2016) and Nwannebukwe, and Nwadiakor, (2016) pertains to evaluating internal audit effectiveness in public sector organization and purely based on primary data collected through questionnaires. In this regard using another approach to evaluate internal audit function effectiveness is imperative for the added body literature. This study therefore intends to evaluate whether internal audit function in Public Sector Organisation (PSO) are effective in Tanzania context using documentary analysis method. The study is motivated by the fact that although there have been several initiatives both professionally and legislatively in the functioning of internal audit these efforts have been more theoretical and lacks implementation and practice. The study will help to give insights on how comprehensively and adequately criteria set by internal audit professionals and laws governing internal audit function exist in Tanzania and their implementation which is of interest to policy makers and the public.

The rest of this paper is organized as follows: - section two (2) provides a background review of the internal audit in Tanzania, section three (3) reviewed previous literatures on determinants of internal audit function effectiveness and section four (4) discusses research methodology applied for this study. Findings and discussions is presented in section five (5) and finally, conclusion and recommendations are provided in section six (6).

2. Research Methodology

Consistent with prior research (Nasibah et al., (2009) in Malaysia, this study employed qualitative content analysis to evaluate internal audit effectiveness in Tanzania public sector. This documentary analysis is regarded as rigorous and effective for exhaustive study of a single phenomenon (Stake, 1995; Yin, 1994). According to Corbin and Straus (2008) and Rapley (2007) this approach examines documents and interprets information therein systematically that allow researcher to draw inference about a certain situation. The criteria established from theories and prior studies guide the analysis to evaluate whether standards for effectiveness of internal audit function in public sector organization exist. On this understanding the document analysis method was used to scrutinize laws and regulation governing internal audit and Controller and Auditor General (CAG) audit reports for Local Government Authorities (LGAs), Ministries and Government Departments and Agencies (MDAs over five year 2011-2015. The CAG audit reports were deemed appropriate for this purpose because they do consider examination of performance of internal audit units, audit committee, internal control systems and risk management of respective public sector for the period under review. The table below provides documents that will be used for the study:

Table: Documents and Type of Data Analysed

Document selected	Data Analysed
1. CAG Reports for LGAs 2011 to 2015	<ul style="list-style-type: none"> • Performance of Internal Audit Unit. • Performance of Audit Committee. • Internal Control System. • Risk Management.
2. CAG Reports for MDAs 2011 to 2015	<ul style="list-style-type: none"> • Performance of Internal Audit Unit. • Performance of Audit Committee. • Internal Control System. • Risk Management.
3. Local Governance Act 1982 (Revised 2000) and Financial Regulation	Implementation of the requirement for effective internal audit units.
4. Order no. 13 of Local Government and Financial Memorandum of 2009	Implementation of the Requirement for effective internal audit units
5. Public Finance Act 2001 and Amendment of 2010 and its Financial Regulation	Implementation of the Requirement for effective internal audit units

Upholding prior studies of this nature by Albert (2005) the effectiveness of internal audit function in Tanzania public sector organization was evaluated and measured by factors such as adequate internal audit staff and training programs to improve competence, management support, internal audit charter and effective audit committee as proposed by (Sarens, 2009). The study further, evaluates the extent of implementation of criteria set under the laws and regulations governing internal audit function in Tanzania. Several other studies such as Ali et al., (2007); Arena and Azzone (2009); Alzeban and Sawan et al., (2013); Haimon (1998); Obeid (2007); Mihret et al., (2010); Azza (2012); Mihret and Yismaw (2007) that carried out to examine determinants of internal audit effectiveness agree that auditors' competencies measured by adequate internal audit



staff and appropriate training, management support and perception, audit committee, independence of internal audit teams, and internal audit charter improves effectiveness of internal audit function.

However, in order to report meaningful results the findings on evaluation of internal audit function effectiveness, performance of audit committee, internal audit units which also highlight internal control system and risk management were linked with determinants of internal audit effectiveness as provided and identified in literature and discussed in section 3 of this article. Review of the reports over five years provided information which formed the basis under which analysis on whether or not the factors that influence the effectiveness of internal audit function exist in public sector organization.

3. Internal Audit Reforms in Tanzania

Internal Auditing as an independent, objective assurance and consulting activity is designed to add and improve efficacy of organization's operations (IIA, 2009). In this regards, auditors who are practioners and vital players facilitate the accomplishment organization's strategic plans and objectives by bringing a systematic and disciplined approach to evaluate and improve effectiveness of risk management, control and governance processes. In both sectors internal auditing has attracted professional attention, and has fuelled the setting up of the Institute of Internal Auditors, a professional authority of independent character with the goal to provide the international criteria, ethics and other relevant guidelines pertaining to internal auditing issued by International Institute for Internal Auditing (IIIA).

Many countries across the world have taken a number of initiatives in order to uphold governance through enhanced internal audit effectiveness. Tanzania is amongst those countries that have shown interest and which recognizes internal audit function as a means of achieving organisational objectives in both public and private sector (Kisoka et al., 2012). In public sector, the Ministry of Finance has taken initiative to strengthen internal audit functions as enshrined in Public Finance Act (2001) and its amendment of (2010) and Local Government Act of 1982 (revised 2000) which do not only requires each accounting officer to establish internal audit units but also gives internal auditors roles and duties to examine, evaluate and recommend on the existence, adequacy and effectiveness internal controls, risk management structures and governance processes in respective organizations.

Succinctly, Order number 13 of the Local Government Financial Memorandum (2009) requires accounting officer of Local Government Authority (LGA) to establish and maintain effective internal audit function. Similarly Regulation 28(1) of Public Finance Regulations (2001) requires establishment by every Accounting Officer an effective internal audit function that provides assurance on adequacy of internal control system of respective organization. On a further respect, in order to ensure efficiency and effectiveness of internal audit units in public sector organization, Regulation 30 of Public Finance Regulation (2001) and order 12 of Local Government Financial Regulation (2009) requires establishment of audit committee in each public sector organization of which its functions are issued and stipulated in Regulation 31 and 32 of Public Finance Regulation.

In addition, the Ministry of Finance made some critical reforms on the functioning and reporting of the internal audit to enhance its functionality and independence. Previously, the functioning of internal audit was under the supervision of Accountant General, the reform established Internal Auditor General's Division (IAGD) that operates as an independent internal audit division in public sector (PFA, 2010 Act, 658). The reforms provides a wider scope to internal auditing function and focus on more contemporary issues such as risk management systems, control and governance processes, quality assurance, technical audit, budget and payroll audits. These changes were critical roles in improving financial management and accountability geared towards attaining value for money on the public expenditure.

Conversely, national Board of Accountants and Auditors (NBAA) on behalf of the government of United Republic of Tanzania in March 2011 adopted the use of International Professional Practice Framework (IPPF No. 2120) issued by the Institute of Internal Auditors (IIA) to be used by the Internal Auditors in Tanzania including those in public sector organization. IPPF and its update requires establishment of internal audit function with internal audit charter approved by audit committee, organizational independence and objectivity that allow internal audit function to report functionally to audit committee, adequate competent staff to allow execution of internal audit activities, sufficient resources such as financial resources, and working tools with an ability to assess internal control system and risk management of the organization. This recommended guidance allows internal audit function to add value through improved entity's processes.

The initiatives presented and discussed in this section have been implemented by the government and Institute of Internal Auditors (IIA) and intends to improve the functioning of internal audit activities not only to public sector but also to private sector. This has been instituted to ensure that resources of an organization are well safeguarded by putting strong internal control system as well as ensure that good governance systems are being implemented in an effective conduct.

4. Empirical Literature Review on Determinants of Internal Audit Effectiveness

This paper is based on desktop review and descriptive in nature and evaluates the effectiveness of internal audit function based on existing internal audit institutional and regulatory frameworks (mechanisms) in Tanzania. To this end this section explores the determinants of effective internal audit from prior theoretical and empirical studies which will form basis for benchmarking in Tanzania.

4.1 Independence and Objectivity

Independence and objectivity contribute to the effectiveness of internal audit function because it allows the audit activity to be conducted without interference by any party for the audit task. The auditor independence has long been considered a key driver of the audit function and defined as the freedom from conditions that threaten the ability of the internal auditors to carryout internal audit responsibilities in an unbiased manner (The IIA, 1999). Likewise the Institute of Internal Auditor (IIA, 1999) construe objectivity as an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made.

The internal auditors' independence is a substantial component of corporate governance and the control system as without independence the internal audit department/unit becomes a part of the management group, losing its capacity to provide a fresh perspective (Al-Twaijry et al, 2003). It is thus effectively achieved when the chief audit executive reports functionally to the board. Cohen (2010) and Mihret et al, (2010), found that, internal auditor independence is positively related to perceived internal audit function effectiveness. The independence and objectivity of internal auditing is with respect to both assurance services and consulting for the organization such that auditors are able to access information related to the audit work without fear and favour. Auditors being independent make them provide objective reports which are based on reliable professional judgment and audit work performed with degree of integrity. Independence of internal auditor will not be considered to be impaired if the auditor don't appear to act in capacity equivalent to a member of client management or as an employee (Caplan and Kirschenheiter 1999). This implies that the auditor should not only act independently but be seen to be independent.

4.2 Competence and Adequate Internal Audit Staff

Previous studies have associated internal auditor's competence and internal audit function effectiveness (Haimon 1998; Obeid 2007; Mihret et al., 2010; Azza, 2012). Other studies such as Mihret and Yismaw (2007), and Al-Twaijry et al (2003) have focused on the need of internal auditor to be sufficiently qualified in order to be able to achieve high level of internal audit effectiveness. Jessup (1991) define competence as the ability to perform to recognized standards. Accordingly, internal auditors should be adequately qualified and possessive all required skills and knowledge to perform related audit services (Alzeban and Sawan, 2013). Knowledge, skills, and other competences including obtaining and update prior information concerning internal auditing, are crucial for internal auditor to perform their individual's responsibility in an effective manner.

In their study Haimon (1998), Obeid (2007), and Mihret et al (2010) found that, competence of internal auditors is positively related to internal audit function effectiveness whereas Azza (2012), Mihret and Yismaw (2007), and Al-Twaijry et al (2003), focus on the need of internal auditor to be sufficiently qualified in order to be able to achieve high level of internal audit effectiveness. In another study carried out by Arena and Azzone (2009) on identifying organizational drivers of internal audit effectiveness, found that the effectiveness of internal audit function is affected by the characteristics of the internal audit team, the audit process and activities and the organization link. . The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities (IIA).

4.3 Management Support and Perception

The success of internal audit function depends on the strength and magnitude of support from management for the auditing process as support and commitment of management improves internal audit function effectiveness. The legitimacy of its plan should be supported and understood by different stakeholders including government officials, employees and media (IIA, 2006). As such it should work together with management to improve risk assessment efficacy and in determining its risk appetite towards improved organization systems, regulations, procedures and ethical environment. It is reportedly asserted that internal audit function effectiveness is highly dependent on the management support and encouragement in central and local government (Ali et al, 2007) as well as attitude of management team of organisation towards audit report and recommendations there in (ibid).

Mihret and Yismaw (2007) found that internal audit recommendations are not given required attention and management in some cases do not works on its reports despite the audit evidence attached. It is therefore apparently, vivid that management supports to internal audit, is a critical determinant of internal audit effectiveness. Understanding and awareness of the role played by internal audit function by the customers of audit services is an important aspect in the process of internal auditing

because it will be viewed as value added activity. Without having common understanding it could result in a perception that internal audit is simply cost centre which does not add anything in production or service objective. As a result, audit services and recommendations will be ignored (Flesher and Zanzig, 2000) which in turn adversely affects internal audit function (Arena and Azzone, 2009).

It is argued that employees will cooperate and support process of internal audit function, if top management place an importance over internal audit function (Cohen and Sayag, 2010). From this angle implies that internal audit staffs are more likely to be motivated to perform internal audit services given that management is aware of internal audit values. Senior management expectations and perception are significantly influence and critical to the acceptance and appreciation of internal audit function, which in turn promote maturity of internal audit functions and enhances value added within the organization (Sarens and Beelde 2006).

4.4 Approved Internal Audit Charter

Internal audit charter is the audit document that shape audit activities, purpose, authority and responsibility of audit unit in an organization. It details activities' position in an organization, and internal audit scope to undertake underlying planned activities within the organization. Also the document provides and authorizes access of records intended for audit, physical property and personnel relevant for management performance (IIA, 2012). To ensure proper execution of audit activities the document considers responsibilities of all parties involved from auditor to auditees, internal audit standards to be followed and the relationship that exist between internal audit unit and audit committee in the organization. The charter should clearly identify and include potential limitation resulting from change in circumstance that might affect ability of audit function to execute internal control assurance in the forward perspective (Regan, 2002).

Several studies have been undertaken to examine the impact of internal audit charter on internal audit effectiveness including Regan, (2002) and Peurse, (2005). These studies suggested that a well drafted internal audit charter improves effectiveness of internal audit function in an organization. This will not only help to direct internal auditors to carry out their responsibility but also influences management to respect agreed layer of authority for the position of internal audit function. Further recommendations provided by internal audit function can be easily followed and implemented if internal audit charter is in place.

4.5 Audit Committee

For many years the responsibilities and roles of board members, particularly audit committee of the board has raised attention from stakeholders that lead into increase in scrutiny (Chen et al., 2008, Davies, 2009, Barua et al., 2010 and Alkdai and Hanefah, 2012), due to the fact that the effectiveness of this organ reduces corporate deficiencies (Owolabi and Dada, 2011). As members of audit committee despite that they are required to possess' financial knowledge, internal control system and risk management awareness, commitment is key element in executing their roles and responsibility. Effective audit committee improves effectiveness of internal audit function of an organization. Study carried out by Zhang et al. (2007) to examine the impact of internal audit independence and audit committee of the board revealed that internal audit function effectiveness is positively related with effective audit function and independence of internal audit team from management.

5. Empirical Results and Discussions

This section is bestowed for empirical findings on the effectiveness of internal audit function in Tanzania public sector organisation. The findings are a result of a critical review and analysis of important documentations germane to the subject matter and followed in accordance with the research methodology and study approach detailed and discussed in section 2. The findings are based on the determinants of effective internal audit function which have been presented in the prior section (4) of this article which are explored from previous empirical studies across the world. It follows that the determinants of internal audit function effectiveness including audit committee and Independent internal audit function; Competence and Adequate Internal Audit Staff; Management Support and Perception were benchmarked to existing condition in context of Tanzanian public sector entities for the conclusion to be made.

5.1 Audit Committee and Independence of Internal Audit Function

The Institute of Internal Auditor (1999) provides that internal audit unit should practically be independent, seen to be independent and free from the auditees' interference in conduct its work in order to enhance internal audit effectiveness. In order to achieve this in Tanzania there are laws and regulations that allow independent internal audit function to be established. Public Finance Act (2001) and its related amendment of (2010), and Public Finance Financial Regulations of (2001) with related order 30, 31 and 32, and Local Government Authority Act 1982 (Revised 2000) and Local Government Financial Memorandum (2009) with related order 12 and 13 require establishment of effective internal audit function by each Accounting Officer and effective audit committee for the purpose of monitoring internal audit function. Furthermore, audit



committee is required hold regular meetings to discuss issues related to financial management's mechanism. These laws and regulations require internal audit function to report functionally to audit committee and administratively to management. It further requires internal audit charter and internal audit unit budget to be approved by audit committee and that the chief internal auditor is required to send annual audit report to Internal Auditor General Division (IAGD) for monitoring purpose. All these initiative and set up of audit function in public sector promotes independence and objectivity of internal audit function in executing its functions.

On a further note and in order to ensure effective functioning of internal audit units in public and private sector, the establishment of audit committee is vital. There are rules and regulations that requires establishment of audit committee as noted above as well as establishing the functions of audit committee aimed to ensure well functioning of internal audit units in public sector organization. The government initiatives to establish rules and regulations are in line with the requirements of Institute of Internal Auditor issued under IPPF, 2011 which was adopted by NBAA on behalf of the government as guiding framework of internal audit functions. With regard to this the CAG Audit reports for the period of 2011/2012, 2012/2013, 2013/2014 and 2014/2015 deficiency was noted in regards to functioning of audit committee in LGAs and MDAs. There are inefficient performance of audit committees in public sector organization thus affect independence and performance of internal audit units. This organ failed to execute its responsibilities to oversee internal audit functions and financial management of public sector organizations as stipulated in Regulation 31 and 32 of Public Finance Financial Regulation of 2001. The deficiencies noted by CAG include; lack of financial knowledge for some of audit committee members; inadequate trainings for effective performance and lack of regular audit committee meetings as required by the law which results into weak performance of audit committee such as failure to oversee internal audit functions. Most MDAs internal audit charter and annual audit plan were not reviewed and approved by audit committee as required by IPPF, 2011. Also some of the audit committee did not review internal audit report as required by laws and regulations governing internal audit function in public sector organization.

- Audit committee should be given sufficient opportunity to review the unaudited financial statement. [...] Further more training should be provided to elected member so as to become more engaged with audit committee functions (CAG report, 2010/11).
- The audit committee did not oversee the proper functioning of internal audit. [...] There were no evidence that, audit committees provided independent oversight of the internal audit work plans and reports, assessing audit resources needs and mediating the auditors' relationship with the Local Government Authorities [...] The inefficiency in the performance of audit committees leads to inefficiencies in the overall control environment and good governance (CAG report, 2012/13).
- There were no evidence that, audit committees provided independent oversight of the internal audit work plans and reports, assessing audit resources needs and mediating the auditors' relationship with the Local Government Authorities (CAG report 2012/13).
- Audit committees failed to meet regularly (at least once per quarter) as such they did not effectively discharge their oversight duties. (CAG report 2013/14).
- Some audit committees did not conduct quarterly statutory meetings. [...] Some of audit committees did not discuss the internal audit reports as required (CAG report 2014/15).

Weak audit committee in MDAs and LGAs as noted by the report causes inefficiency of internal control system and good governance within the organization. CAG reports recommends improvement of audit committee through proper composition of audit committee, involvement in internal audit activities, allocation of enough budget to carry out internal audit and audit committee activities, annual self evaluation, and holding regular audit committee meeting as required by the law that will enable effectiveness of audit committee in public sector organization.

5.2 Competence and Adequate Internal Audit Staff

Proficiency and professional due care is an important aspect of internal audit function effectiveness. IIA through IPPF issued in 2012, requires internal audit to acquire required knowledge and skills relevant to perform audit function. Auditors are required to be aware on the standards, rules and regulations guiding audit functions in Tanzania. Despite that NBAA on behalf of the Government adopted the use of IPPF, 2011, in Tanzania. For the period under study, staffs of internal audit units are inadequate in public sector organizations. Despite that internal audit units are being established in LGAs, some of the LGAs hold one to two staff (CAG, 2015). Considering the diversity of Local Government activities, an average of one to two auditors are not adequate to ensure audit activities related to projects, programs and organization activities. Also most of the LGAs internal audit units lack plan for capacity building to enhance competencies in auditing standards and IT skills.



Specific IT skills are related to various systems operating in LGAs which includes EPICOR system, LAWSON system and PLANNEP (CAG, 2015) as indicated below

- The units has no adequate resources including financial and other resources working tools.[...] The units continued to be understaffed, some of LGAs, MDAs and RSs having one to two staff. Taking into account the scope of these organizations activities auditors are not adequate for effective audit coverage (CAG report 2012/13).
- Internal Audit Units do not do have continuing capacity building plan to all internal auditors in basic auditing principles and practices, IT skills especially training in EPICOR and inter personal skills to improve performance of their duties [...] Insufficient number of internal auditors compared to workload thus limiting scope of internal audit function (CAG report 2013/14).
- Some Internal Audit Units did not finalize all planned audits due to shortage of funds and staff.[...] Accounting Officers should ensure that adequate resources and functioning internal audit Units are in place and thus it fulfil its mandated responsibilities which include identification of internal control deficiencies and recommends corrective action affectively (CAG report 2014/15).

It is recommended that management of MDAs, LGAs and Internal Auditor General Division under Ministry of Finance and Planning to increase staffing and financial resources to enable internal audit units and audit committee to execute their responsibilities effectively and efficiently. In so doing it will improve effectiveness of internal audit function in public sector organization

Accounting Officers should ensure that adequate resources and functioning internal audit Units are in place and thus it fulfil its mandated responsibilities which include identification of internal control deficiencies and recommends corrective action affectively (CAG report 2014/15).

5.3 Management Support and Perception

Previous studies that examined determinants of internal audit function effectiveness concluded that, management support and perception is key element of internal audit function in public organization. Consistent with prior studies (Ali et al, 2007, Mihret and Yismaw, 2007), the study found lack of adequate resources for internal audit units which could facilitate execution of internal audit functions in LGAs and MDAs as reported by LGAs and MDAs CAG audit report over five years under review. In general internal audit function in LGAs and MDAs lack adequate budget to the unit to facilitate audit activities.

- The units have no adequate resources including financial and other resources working tools as financial, motor vehicles and other working tools. [...] The units continued to be understaffed, some of LGAs, MDAs and RSs having one to two staff. (CAG report 2012/13).
- The audit scope of internal audit functions during the year was limited due to inadequate resources. (CAG report 2012/13).
- The units lack transport facilities which are necessary for them to carry out their activities effectively. (CAG report 2013/14).
- Some internal audit units did not have working tools such as motor vehicles. (CAG report 2014/15).

The lack of resources act as bottleneck and limits scope under which internal audit activities can be undertaken leading into possibility of management to override internal control system as well as governance failure. It is observably found that lack of enough budget allocation is a consequence of lack of management support and perception of management over contribution of internal audit functions towards its strategic functions. Another aspect that can be associated with lack of management support is inadequate staff for internal audit units. As a matter of a great concern, despite that most of MDAs and LGAs have established internal audit units as required by laws and regulations few of them have not established this important unit in the organization. This is also signal lack of support as the units are not given priority in organization strategies.

5.4 Approved Internal Audit Charter

As provided by Practices Advisory, internal audit charter is an important tool in managing internal audit activities in an organization. The charter provides formal agreement between internal audit function and management team. It provides guidelines on issues related to reporting lines, responsibilities, authority and purpose of the audit activity during the particular period. The document need to be reviewed periodically and being approved by the board/ audit committee. Also internal audit charter is used as an evaluation tool of internal audit functions because it highlights activities to be performed during period. In most cases it is found that Internal Some Internal Audit Units in public sector do not maintain internal audit charter as shown below;

- The position of internal audit in the governance framework as well as roles and responsibilities were not clearly articulated in the Internal Audit Charter (CAG report 2012/13).
- Non preparation of audit programme that describe audit procedures while executing the planned audit works[...] Some Units used unapproved Internal Audit Charter (CAG report 2013/14).
- Some Units used unapproved Internal Audit Charter [...] Some Internal Audit Units strategic plans were not reviewed by the Audit Committee (CAG report 2014/15).

It is further noted that absence of internal audit charter in public sector is partly attributed by inefficiency of audit committees of public sector organization as mention above. Enhancement of audit committee to effectively and efficiency execute its responsibilities including to oversee internal audit units and approve internal audit charter as required by the law is required. To this end it is suggested that internal audit charter in public sector is lacking suggesting that internal audit function is not effective.

5. Conclusion and Implications

Internal audit function is vital for entity's management control, governance and risk management. It helps the organization through analysis and recommendation regarding processes of the respective business and as such it notably a cornerstone for improvement of effective risk management, control processes and governance process which in turn help an organization to achieve its statutory objectives. This study aimed to explore the determinants of internal audit effectiveness in Tanzania through a documentary review and content analysis methodology.

The study found that there is adequate initiatives by establishing rules and regulations governing internal audit function as stipulated in Local Government Act, 1982 (revised 2000), order 13 of Local Government Financial Memorandum of 2009, Public Finance Act 2001 and its amendment of 2010 which allowed establishment of Internal Auditor General Division (IAGD) under the Ministry of finance and Planning, and Public Finance Financial Regulations of 2001 set up existence of internal audit units and audit committee in public sector organization. However, despite that laws and regulations are instituted by the government, implementation of the requirement is not convincing in public sector organizations in Tanzania. Some of the issues noted include audit committee compositions, execution of internal audit responsibilities and establishment of internal audit units in some LGAs and MDAs. The deficiencies noted affect effectiveness of internal audit functions.

The study analysis further shows that criteria for effectiveness of internal audit function as suggested in internal audit guide issued by IIA and previous studies are no sufficient in Tanzanian public sector. This is due to lack of effective audit committee, inadequate audit staff and training, and lack of approved internal audit charter for most of MDAs and LGAs and lack of enough budget that support internal audit activities. LGAs are significantly affected by inadequate audit staff and in adequate budget/resources to facilitate audit functions. Other areas that highlight weakness of internal audit function in public sector organization includes lack of fraud prevention programs, lack risk management and other controls system within an organizations as cited by the reports for the period under study. This implies that internal audit functioning does not fulfil requirement of laws and regulations that stipulate that internal audit units should be established to ensure resources of an organization are well safeguarded by putting strong internal control system, risk management as well as good governance system.

It is recommended that public sector organizations to improve working environment of internal audit functions. Improvement required includes full implementation of laws, rules and regulations governing establishment of internal audit, comply with IPPF requirement and provides adequate resources required for internal audit functions.

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