THE ROLE OF INTERNAL AUDITORS IN FIGHTING CORRUPTION IN SELECTED PUBLIC ORGANIZATIONS IN TANZANIA
THE ROLE OF INTERNAL AUDITORS IN FIGHTING CORRUPTION: IN SELECTED PUBLIC ORGANIZATIONS IN TANZANIA

By:

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A Dissertation Submitted in Partial /Fulfillment of the Requirements for Award of the Degree of Masters of Business Administration in Corporate Management of Mzumbe University

2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University a dissertation entitled “The Role of internal auditors in fighting corruption in selected public organizations in Tanzania” in partial fulfillment of the requirements for award of degree of Masters of Business Administration-Corporate Management of Mzumbe University, Dar es Salaam Campus College.

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DEDICATION

This work is dedicated to Mkenda family, my husband Victor Olomi and my beloved son Jeremiah Olomi for their great support and care on ensuring my success as far as educational aspect is concerned.
ABSTRACT
The research aimed to assesses the role played by internal auditing practices in fighting corruption within Tanzania public sector. The study objectives were accomplished by studying and evaluating how social-political factors influence technical auditing, the relationship between internal audit control system and The Prevention and Combating of Corruption Bureau in combating the roots of corruption, formal communication procedures in reporting detected corruption and identification of the main challenges hinder effective auditing and anti-corruption practices in public sectors.

The study combined diagnostic and descriptive research design on which quantitative data was collected from a sample of 65 respondents whom were randomly selected from the population sample. Data analysis was done by SPSS program where descriptive analysis was done to present descriptive data interpreted into frequencies, percentage, mean and standard deviations.

Findings of the study have shown that existence of maximum tension and political influence, bureaucratic policies and organizational powers interfere with the inspection power entitled to internal auditors by restricting them to use departmental laws and regulations only when investigating staff in interpreting various rules, in explaining various practices, in sharing some of the confidential information that they may possess or discussing technical details of operations and not in reviewing them. This restricts accountability and transparency practices as majority of the respondents reported not to fulfill their professional responsibilities in reporting of the detected frauds and corruption opportunities.

Lastly study findings recommends that public sector organizations should solve challenges facing auditors and should have to pay attention for auditors’ motivation such as training opportunities, provision of technological skills and enforcing each auditee to implement audit recommendations.
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<tr>
<td>ATCL</td>
<td>Air Tanzania Company Limited</td>
</tr>
<tr>
<td>CCM</td>
<td>Chama cha Mapinduzi</td>
</tr>
<tr>
<td>EOCCA</td>
<td>Economic and Organized Crimes Control Act</td>
</tr>
<tr>
<td>ESRF</td>
<td>Economic and Social Research Foundation</td>
</tr>
<tr>
<td>FACT</td>
<td>Financial Accountability &amp; Anti-Corruption</td>
</tr>
<tr>
<td>INTOSAI</td>
<td>International Organisation of Supreme Audit Institutions</td>
</tr>
<tr>
<td>ISA</td>
<td>International Standards on Auditing</td>
</tr>
<tr>
<td>NDC</td>
<td>National Development Corporation</td>
</tr>
<tr>
<td>NIC</td>
<td>National Investment Corporation</td>
</tr>
<tr>
<td>SAI</td>
<td>Supreme Audit Institution</td>
</tr>
<tr>
<td>SSA</td>
<td>Sub Saharan Africa</td>
</tr>
<tr>
<td>TBS</td>
<td>Tanzania Bureau of Standards</td>
</tr>
<tr>
<td>TPA</td>
<td>Tanzania Ports Authority</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>USAID</td>
<td>United States AID</td>
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<tr>
<td>PCCB</td>
<td>Prevention and Combating of Corruption Bureau</td>
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CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.0 Introduction

This section provides brief the backbone of the proposed research. It specifically gives background to the research problem, statement of the research problem, its objectives, questions and significance. It also presents the scope, limitation and delimitation of the proposed study.

1.1 Background to the study

The corruption profile in Tanzania can be established even before independence in 1961 though not rampant. At independence, Tanganyika back then under the governance of the late father of the nation Mwalimu Julius Nyerere, developed ideas of socialism (Ujamaa) and in 1965 the country became a de jure single party state and a socialist economic system whereby independent organizations in civil society, in particular trade unions, were neutralized by being brought into the ruling party (Kelsall and Mmuya, 2005). The economy was largely nationalized, a huge village resettlement programme was carried out and Kiswahili was adopted as the national language. During the Nyerere years, corruption was defined as a form of oppression that undermined egalitarian values. However, reports of misuse of office, especially in the cooperatives and parastatals, grew with the expansion of the state's economic role.

Following the collapse of the national economy under the socialist economic system, in 1986 Tanzania entered formally into agreements with the World Bank and IMF for structural adjustment programmes which reintroduced a market based economic system. Macroeconomic reforms under President Ali Hassan Mwinyi reversed the course of economic collapse, but these reforms also became vehicles for personal enrichment by bureaucrats, party officials and their allies in the business sector (USAID, 2003 cited in Hussman and Mmuya, 2007).
This enrichment was facilitated when the ruling party abandoned the Leadership Code, calling into question its original, socialist objectives and ideals. Falling of this gave a loop hole massive misuse of public resources and corruption spiraled out of control prompting donors to freeze aid in November 1994 (Kiley 1994).

In 1995, during the first multi-party elections in thirty years, opposition political parties attempted to transform popular resentment against corruption into electoral support. However, the ruling party CCM (Chama cha Mapinduzi/Party of the Revolution) managed to manipulate this issue as well. It chose a politician untainted by scandal as its presidential candidate, thereby undercutting the opposition's ability to gain political advantage. On the campaign trail, CCM's Benjamin Mkapa promised to wage a war on corruption. President William Mkapa was elected and soon after appointed a Presidential Commission against Corruption to assess the state of corruption in the country. Ten months later the commission produced one of most renowned analysis of corruption in the African States the “Warioba Report” what identified areas/environments where corruption occurs and revealed the mechanisms (e.g. regulations and procedures) that facilitate corruption.

Tanzania has different types and forms of corruption which currently exist, and focuses on causes, levels, costs, types and the overall impact of change (such as the on-going democratization and decentralization by devolution) on levels of corruption in the country. The causes of corruption are many, complex and at times may include simple human greed, immoral and un-ethical social behaviour, individuals who lack human and political integrity inadequate service delivery etc. The following are some of the causes of corruption in Tanzania which are identified by various researchers including Mtatifikolo, 2000; ESRF, 2002; Heilman and Ndumbaro, 2002;

First, economic factors; since independence some of the economic policies in Tanzania have contributed to a number of distortions which, may have intensified corruption. The
enactment of the Economic and Organized Crimes Control Act of 1984 which replaced the 1983 Economic Sabotage Act has its background in this cause, since rigid restrictions on trade can be a subject of abuse. E.g., centralisation of the economy through nationalizations meant that the few powerful elites had the monopoly on the allocation of resources and in this situation corruption was inevitable.

Second, bureaucratic causes: - this is highly contributed by red tape and rigid rules and regulations imposed by central and local government contributed to increased corruption. Public officials became tempted to subvert them or rather be pressurized into subverting them for individual or group gain despite the fact that such acts are illegal, immoral and unprofessional.

Third, inflexible and unprofessional monitoring, control and auditing by officials induce corrupt practices. For instance auditors would demand a bribe in order not to take a particular official to court for having not balanced the books.

Fourth, social attitude and simple human greed- The tendency of having big and strong extended family or tribal ties has the potential to increase the opportunities and pressure for nepotism and favouritism or simply to look for additional income to assist them with basic needs. Also, human greed due to lack of integrity and ethical nurturing and civic education among other factors, contributes to increased corruption. Low civic competence implies that there are fewer whistle blowers against corruption.

Fifth, ethical practice intended to have clean and strict professional public officials who turn into beggars after retirement may have contributed to increased corruption. For example, it is claimed that those who choose not to engage in corruption retire with
nothing except poverty and the Government retirement benefits are still very low and at times, uncertain.

Sixth, political factors:- The linkage between corruption levels and the quality of political life in Tanzania is one of the causes of corruption due to fragile nature of civil society and private sector. For instance it is only recently that we begin hearing of some civil society groups shouting against corruption. While literature reveals different types and forms of corruption in Tanzania, researcher in this study tries to relate practices of internal auditing in fighting causes of corruption in public sectors as perceived with different researchers;

As the public sector organizations work to reduce level of corruption, their anti-corruption measures highly rely on auditing practices. Overtime, internal auditors have regarded as a professional group that “guard(s) against misapplication or leakages of money or property in public sector” (Fernald 1943, cited in Neu, Everett and Rahaman, 2010). Likewise in the private sector, auditing is viewed as a component of the corporate governance mosaic (Cohen et al. 2002), contributing to the technical effectiveness of organizations (Eden & Moriah 1996). According to Association of Certified Fraud Examiners’ (ACFE) (2008) internal auditors play important role in detecting frauds and corruption schemes.

On the other hand, auditing can be regarded as a social practice in that the social influences technical practices. In public sector audits the social influences how auditing is understood and practiced (Radcliffe 1998, 1999), as well as what emerges as “good practices” (Gendron, Cooper & Townley 2007). While auditing is both a technical and social practice, it is also a political practice. Political, in this regard, refers to the ways that power and influence impact upon the audit process. These issues of power and influence are especially salient within the domain of public sector auditing.
Studies such as Radcliffe (1998) show how political concerns come to influence and frame the practices of government auditing. From this vantage point, auditing is a pragmatic response to the political context. In later work, Radcliffe is even more direct, proposing that political influences constrain auditors and others “from making observations that may be publicly unpalatable” (2008) and that the “truth value of audit findings is severely compromised” as a result. Santiso (2009) makes a related point, noting that autonomous audit agencies are crucial in the global fight against corruption, but the ultimate determinants of the effectiveness of such organizations are political (O’Connell 2007; Sorin-Sandu & Sorinel 2009; Melo, Pereira & Figueiredo 2009).

This study investigates the role of auditing in a major case of corruption in the public sector. The study is conducted based on two motivational reasons; first, researcher is motivated by the importance of understanding the domain of public sector auditing, especially given the magnitude of government spending as well as the potential for patronage and corruption in this sector as discussed by other researchers such as Black (2005) and Holmes et al., (2000), who indicates that despite existence of public sector auditing functions, still there remains a high incidence of fraud in this sector and a continued belief that government is one of the key sites of corruption (Holmes et al. 2000; Lambsdorff 2006).

The second motivation for conducting this study is to better understand the role that socio-political factors play in the ability of auditing to discover and report on fraud and corruption. While auditing is comprised of concrete operational tasks and routines, it is also shaped by policy objectives that emanate from the political sphere, and between these two levels there exists a certain ambiguity about the audit process and its meaning (Free et al. 2009; Power 1999). With corruption in the industrialized world existing at the margins and involving the buying and selling of political influence, (Johnston 2005), questions need to be raised in respect of how such influence shapes the nature of technical auditing activities in the developing countries like Tanzania. Current research
adopts Radcliffe (2008) suggestions that in public sector organizations these activities are exercised within extremely political settings and that political considerations limit what an auditor can say. Further, the political motivations that underpin fraudulent practices in this context appear to make detection difficult, with the result that problems can exist for long periods of time (Stalebrink 2007).

1.2 Problem statement
Corruption in public sector is a highly complex phenomenon as it has different types and forms with different levels and volumes (Neu, Everett and Rahamana, 2010), and the parties involved leave very little telltale in the form of irrefutable hard evidence (Khan, 2006). Most of the corruption takes place in an informal manner and under the dark cover of isolated contacts. At times it does not even require a spoken word. Mere eye contact can establish a relationship of corruption.

The auditors in public sector find themselves at cross-purposes with the society. The social expectations are that the auditors should play an effective role in reducing, if not eliminating, corruption. The auditors, whose profession makes them, concentrate on documentary or physical evidence; often find it hard to gather such evidence. They feel that they cannot do much about corruption. In such a situation, researcher in this study wants to investigate on general perception of what is the role of the internal auditing in fighting corruption in public sector by considering social-political causes of corruption.

However, previous researchers such as Dye (2007), Benoit and Franks (2006), reported that investigating social-political influences on fighting corruption by its nature is difficult. Other researchers have argued that based on sensitivity of internal audits by design is meant to be internal so it is difficult to access uncovered audit reports (Gibbins, McCracken, and Salterio 2007), researchers can expect even more difficulty in obtaining the documents and records necessary to learn about the ‘backstage’ (Power 2003) of audit practice. Researcher in this study however, tries to establish the auditor’s
perception on how socio-political factors influence their technical auditing practices as well as their role in fighting corruptions within public sectors in Tanzania.

1.2 Research Objectives

This study was guided with the following general and specific objectives;

1.3.1 General objective

The general objective of the study was based on assessing the role played by internal auditors in fighting corruption among public sector in Tanzania.

1.3.2 Specific objectives

i. To assess auditors’ perception on the extent to which social-political factors influence technical auditing practices within public sectors.

ii. To assess the relationship between internal audit control system and the Preventing and Combating of Corruption Bureau in combating the roots of corruption in public sectors.

iii. To assess formal communication procedures in reporting detected corruption cases within public sector

iv. To assess main challenges hinder effective internal audits in public sectors.

1.4 Research questions

The following research questions guided this study

i. To what do auditors perceive social-political factors influence technical auditing practices in public sector?

ii. Is there any relationship between internal audit control system and The Prevention and Combating of Corruption Bureau in combating the roots of corruption in public sectors?
iii. What are the formal communication procedures in reporting detected corruption cases within public sector?

iv. What are the main challenges hinder effective performance audits in public sectors?

1.5 Significance of the study

This study assists organizations in the public sector as it helps these organizations formulate a clear strategy to address the role of internal audit in fighting corruptions by considering social-political factors and challenges identified in the research. This research contributes in raising public awareness on issues of corruption. Furthermore, it enlarges the proliferation of corruption literature in the field of corporate management. This research also contributes to policy development in an attempt to curb fraud and corruption within public sector organizations. In this way, the new knowledge obtained enhances the study of corporate management.

1.6 Scope and limitations of the study

This study is based only to the selected public sector organizations under which the researcher has access to some of the key informants in audit. With regards to nature of the study researcher only based general perception of the respondents in the issues of internal audit as a tool for fighting corruption and only relied to the information provided by respondents on auditing.

In addition to the above realities this study had the following limitations; the researcher assessed general respondents’ attitude on the issue as the psychological impact of internal audit on combating corruption which was not experimentally tested. Moreover,
the difficult of identifying audited auditees and other situations would not allow contacting audited entities, so researcher conducted a structured survey to allow capturing data.

The time frame allocated for the study was not adequate. With a time frame of only four months allocated for this study, in-depth study and analysis of objectives could be compromised. Collection of questionnaires involved a lot of money for which the researcher was solely responsible. The researcher faced the challenge of non co-operating staff, loss of questionnaires and some staff not answering certain questions raised in the questionnaire.

1.7 Organization of the study
This study is divided into five Chapters. Chapter one dealt with the introduction to the study, statement of the problem, objectives of the study, research questions, relevance of the study, methodology, scope of the study and its limitations.

In Chapter two, relevant literature was reviewed to present the theoretical conceptual framework that related to the study. Chapter three focused on how the whole research was carried out while Chapter four was based on the analysis of the data gathered. In Chapter five, the researcher provided some critique and recommendations to solve the problems identified and drew conclusions based on the findings of the study.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introductions

This chapter provides a brief review of definitions, key concepts and theories related to the present study and review of literature from previously studies done in different parts of the world and in Tanzania. At the end of the chapter research gap will be presented from the presented literature.

2.1 Definition of key terms and concept
2.1.1 Definitions of key terms

Corruption is an important aspect of poor governance, and often defined as the abuse of public office for private gain. This is a widely used definition applied by the World Bank among others (World Bank 2007; FSA, 2010). This definition includes various forms of interaction between public sector officials and other agents. Money is often involved, such as in bribery or kickbacks for public procurement contracts. In other cases, however, the private gain can be non-monetary, as in cases of patronage or nepotism (Rashid, 2007; Blundo & Olivier de Sardan 2006). The definition also covers acts where there is no interaction with external agents or external agents are not explicitly implicated, such as the embezzlement of government funds, or the sale or misuse of government property.

Various typologies of corruption have been suggested. For the purposes of this paper, the commonly used distinction between political corruption (and state capture) and bureaucratic corruption is helpful. Political corruption takes place at the highest levels of political authority. It involves politicians, government ministers, senior civil servants and other elected, nominated or appointed senior public office holders (Fjeldstad and Isaksen, 2008). In other words, political corruption is abuse of office by those who make
the rules of the game, e.g. decide on laws and regulations, and the allocation of resources in a society. These types of acts may include tailoring laws and regulations to the advantage of private sector agents in exchange for bribes, granting large public contracts to specific firms, or embezzling funds from the treasury (Hellman et al 2000a, 2000b; Moody-Stuart 1997; Doig and Theobald 2000).

Most bureaucratic corruption takes place at the implementation end of public policies, although it may in some cases have its roots in the planning and budgeting stages that precede implementation (Isaksen 2005). It involves appointed bureaucrats and public administration staff at the central or sub-national levels. In simple terms, it comprises corrupt acts among those who implement the rules made by top officials. This includes interaction with private agents, such as demanding extra payment for providing government services, speed money to expedite bureaucratic procedures, or bribes to allow private actions that violate rules and regulations. It also includes interaction within the public bureaucracy, such as bribes or kickbacks to obtain posts or secure promotion, or mutual exchanges of favours. This type of corruption is often referred to as petty corruption, which reflects the small payments often involved, though in specific cases and in aggregate the sums may be large (Blundo and Olivier de Sardan 2006).

Political and bureaucratic corruption is clearly interrelated. There is evidence that corruption at the top of bureaucracies’ increases corruption at the lower levels (Campos and Pradhan 2007; Chand and Moene 1999). Political corruption is usually supported by widespread bureaucratic corruption, in a pyramid of upward extraction. And corruption in high places is contagious to lower-level officials, as these will follow the predatory examples of, or even take instructions from, their principals. However, there are also distinctions in the causes and consequences of political and bureaucratic corruption. The priorities and means by which to approach the two may therefore be different.
According to Cavil and Sohail; Public sector corruption is a symptom of failed governance (Cavil and Sohail, 2007). Governance is defined as the norms, traditions, and institutions by which power and authority in a country are exercised. These norms, traditions, and institutions include the institutions of participation and accountability in governance, mechanisms of citizen voice and exit, and norms and networks of civic engagement; the constitutional-legal framework and the nature of accountability relationships between citizens and government; the process by which governments are selected, monitored, held accountable, and renewed or replaced; and the legitimacy, credibility, and efficacy of the institutions that govern political, economic, cultural, and social interactions among citizens and between citizens and their governments (Shah, 2007).

Khan (2006) stated a highly complex phenomenon of corruption. The parties involved leave very little telltale in the form of irrefutable hard evidence. Most of the corruption takes place in an informal manner and under the dark cover of isolated contacts. At times it does not even require a spoken word. Mere eye contact can establish a relationship of corruption.

Vazquez et al. (2007) in their work concluded that there are countless types of corruption and many distinctions can be made based on the dynamics of the act (i.e., unilateral, multiparty), the agents involved (i.e., high-level officials, low-level officials, private agents), the size of the corrupt act (grand corruption or petty corruption), the budgetary functions affected (i.e., expenditures, revenues), the nature of the determinant involved (i.e., structure of incentives, institutional opportunities), and so on.
2.1.2 Concept of internal auditing in Tanzania public sectors

Internal Auditing can be defined as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps organizations to accomplish their respective objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (The Institute of Internal Auditors 1999; Pickett 2005).

The internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified. While management is responsible for establishing internal controls, the internal audit activity provides assurance to management, the audit committee and Board of Directors that internal controls are effective and working as intended. The internal audit activity is led by the chief audit executive (CAE) who delineates the scope of activities, authority, and independence for internal auditing in a written charter that is approved by the audit committee. (The Professional Practices Framework; the IIA Research Foundation, January 2004).

Government auditing is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources are responsibly and effectively managed to achieve intended results, auditors help government organizations achieve accountability and integrity, improve operations, and instill confidence among citizens and stakeholders. The government auditor’s role supports the governance responsibilities of oversight, insight, and foresight (IIA, 2006).

The concept of internal audit in Tanzania is defined by the existence of regulatory framework governing internal audit practice in the public sector. The person in charge of the conduct of internal audit in the public sector in Tanzania is the Accountant General (AcGen). The main piece of legislation governing the existence and conduct of internal audit function is the Public Finance Act and regulations {2001} as revised in 2004. To
put it in a nutshell the existence of internal audit service in the public sector is a statutory requirement (URT, 2004). According to Tanzania Companies Act of 2002, Auditors shall be appointed and their duties regulated in accordance with sections 170 to 179 of the Act (URT, 2002) and according to regulation 28 of the Public Finance Regulations (PFR), the Accounting Officer, of a Public entity, is obliged to establish an effective Internal Audit Service Unit in order to discharge his responsibilities properly. The power to monitor compliance with Regulation 28 is conferred on the AcGen who is obliged to ensure that the status and powers of the internal audit function in MDAs conform to internationally accepted standards. The specific roles of AcGen include, among others; to issue instructions regarding internationally known standards of internal audit to Accounting Officers and to inspect the internal control and audit function displayed by the Accounting Officers.

2.1.3 Key elements of effective public sector auditing

In line with the political demands for greater accountability in providing better services to the public and efficiency in managing public resources, public sector auditing became a necessity for the public sector in recent decades (Power). Members of Parliament as representative of the public have greater concern about the efficiency and effectiveness of the quality of public sector goods and services. Durrant (2000) highlighted that public sector auditing is prominent aspect for encouraging public sector agencies to improve their effectiveness and efficiency in public administration. Efficiency in using public funds and resources reduces the resources needed to provide public goods and services, while effectiveness provides a certain result (outputs, outcomes, impacts and benefits) on the quality of goods and services provided by the government. By preventing the waste of public money, fraud and misappropriation expenditure, the government can allocate funds for a greater number and quality of public goods and services.
As argued by Devas (1989), external auditing can ensure all government’s income is — collected, accounted for and properly used. Moreover, efficiency can provide lower costs of goods and services that influences tariff setting by the government, which is important for a country to be able to compete internationally (McIntosh 1997: 123-129). Funnel and Cooper (1998: 283) argued that effective public sector auditing can significantly improve public sector performance.

An effective public sector audit activity strengthens governance by materially increasing citizens’ ability to hold their government accountable (IIA, 2006). Auditors perform an especially important function in those aspects of governance that are crucial in the public sector for promoting credibility, equity, and appropriate behavior of government officials, while reducing the risk of public corruption (IIA, 2006; Moore, 2006). Therefore, it is crucial that government audit activities are configured appropriately and have a broad mandate to achieve these objectives. The audit activity must be empowered to act with integrity and produce reliable services, although the specific means by which auditors achieve these goals vary. At a minimum, government audit activities need the following;

Organizational independence allows the audit activity to conduct work without interference by the entity under audit. The audit activity should have sufficient independence from those it is required to audit so that it can both conduct its work without interference and be seen to be able to do so. Coupled with objectivity, organizational independence contributes to accuracy of the auditors’ work and the ability to rely on the results and report. Given the variety of forms of government auditing, it is difficult here to specify one reporting line. Greater guidance is provided in professional standards (IIA, 2006).
A formal mandate; the audit activity’s powers and duties should be established by the government’s constitution, charter, or other basic legal document on procedures and requirements of reporting, the obligation of the audited entity to collaborate with the auditor; Unrestricted access in which audits should be conducted with complete and unrestricted access to employees, property, and records; Sufficient funding in which the audit activity must have sufficient funding relative to the size of its audit responsibilities. This important element should not be left under the control of the organization under audit because the budget impacts the audit activity’s capacity to carry out its duties (IIA, 2006).

Competent leadership; the head of the audit activity must be able to effectively recruit, retain, and manage highly skilled staff. Moreover, the chief audit executive should be an articulate public spokesperson for the audit activity; competent staff, the audit activity needs a professional staff that collectively has the necessary qualifications and competence to conduct the full range of audits required by its mandate. Auditors must comply with minimum continuing education requirements established by their relevant professional organizations and standards (IIA, 2006).

Stakeholder support, the legitimacy of the audit activity and its mission should be understood and supported by a broad range of elected and appointed government officials, as well as the media and involved citizens; professional audit standards.

Professional audit standards support the implementation of the previous elements and provide a framework to promote quality audit work that is systematic, objective, and based on evidence. Just as many governments have adopted internal control standards either as requirements or guidance for public sector managers audit activities should conduct their work in accordance with recognized standards (IIA, 2006).
2.1.4 Internal Auditing: Policing vs. Value-added in fighting corruption

Research suggests that a tension exists in the auditing field between what has been variously termed a managerial and administrative logic (Meyer and Hammerschmid, 2006), and the away fraud detection and corruption reporting towards client confidentiality and service (Puxty et al., 1994). In this ‘reinvention of auditing’ (Gendron et al. 2007) appears to be an increasing need for auditors to add value (Radcliffe, 1999), to the point where analysts now speak of auditing commercialization (cf., Cooper and Robson, 2006).

These changes and tensions might be expected to also characterize the field of internal audit in public sectors; indeed, they might be experienced more acutely within it. While internal auditors need freedom to choose their goals, it must be remembered that they work within contexts wherein their outputs are brokered (Raelin, 1989); which is to say that they work within ‘a field of weak autonomy’. Unlike their external counterparts, who typically report to an entity’s ‘principals’ (i.e., shareholders), internal auditors report to individuals more closely associated with its ‘agents’ (i.e., audit committee members), if not the agents themselves (i.e., managers).

This suggests that internal auditors are more deeply immersed in organizational politics, more frequently threatened by symbolic sanctions, and under stronger pressure to submit to and satisfy management’s demands. As a result, and to put it in Rittenberg and Covaleski’s (2001) terms, free-market or commercial ideology has the capacity to ‘taint’ the internal audit field, leading to new definitions of the internal auditor’s work and potentially undermining her or his cultural and moral authority. Consequently, one needs to question the internal auditor’s relative independence and the degree to which the practice of auditing is being compromised by actors who may not share the auditor’s philosophical outlook.
Notwithstanding efforts to make internal auditors less independent of both ‘the market’ and management (in their effort to create ‘value-added’), it would appear that internal auditors continue to take their role of detecting irregularities and controlling dysfunctional behaviours— their ‘policing’ role—more seriously than consulting with management (Everett and Tremblay forthcoming). That is, their role currently seems as much if not more adversarial and coercive than acquiescent and enabling (Adler and Borys, 1996), more aimed at obtaining compliance than partnering with management.

While the commercialization and deprofessionalization of audit is affecting accounting’s Big 4 and other large, global accounting firms, a more statist or adversarial approach continues to characterize the field of internal audit. At least the perception endures among internal auditors that their raison d’être is to catch people at fault—at minimum, they see themselves as serving audit committees by being their eyes and ears and by providing assurance regarding compliance with laws and regulations (Gramling et al., 2004). In this sense, their self-described role is ‘classical’. That said, and as the Canadian sponsorship scandal illustrates, even internal auditors that see themselves as ‘eyes and ears’ are not immune to political influences.

Indeed, this high-profile case suggests that in a world characterized by the presence of fraud and corruption it is quite ‘unreasonable’ (Camus 1983) to speak of auditing as if it were merely a dry, procedural or technical activity. In the following section, we examine the politics of internal government audit, both in respect of the manner in which internal auditing is a battleground between those who argue for these distinct roles, and in respect of how political actors can undermine the integrity and independence of auditors.
2.2 Theoretical reflection of the Public sector auditing

There are several different theories that may explain the demand for auditing services in public sector as identified by different researchers though some of them are well known in research and some of them are more based on perceptions. Hayes (2005) identified four audit theories namely policeman theory, lending credibility theory, theory of inspired confidence and agency theory.

2.2.1 The policeman theory

This theory claims that the auditor is responsible for searching, discovering and preventing fraud. In the early 20th century this was certainly the case. However, more recently the main focus of auditors has been to provide reasonable assurance and verify the truth and fairness of the financial statements. The detection of fraud is, however, still a hot topic in the debate on the auditor’s responsibilities, and typically after events where financial statement frauds have been revealed, the pressure increases on increasing the responsibilities of auditors in detecting fraud.

2.2.2 The lending credibility theory

This theory suggests that the primary function of the audit is to add credibility to the financial statements. In this view the service that the auditors are selling to the clients is *credibility*. Audited financial statements are seen to have elements that increase the financial statement users’ confidence in the figures presented by the management (in the financial statement). The users’ are perceived to gain benefits from the increased credibility, these benefits are typically considered to be that the quality of investment decisions improve when they are based on reliable information.

2.2.3 Agency theory

This theory suggests that the auditor is appointed in the interests of both the third parties as well as the management. A company is viewed as a web of contracts. Several groups (suppliers, bankers, customers, employees etc.) make some kind of contribution to the
company for a given price. The task of the management is to coordinate these groups and contracts and try to optimize them: low price for purchased supplies, high price for sold goods, low interest rates for loans, high share prices and low wages for employees. In these relationships’, management is the agent, which tries to gain contributions from principals (bankers, shareholders, employees etc). The most prominent and widely used audit theory is the agency theory (Watts and Zimmerman 1978, 1986a, 1986b).

2.3 Empirical studies on determinants of internal audit and its role in combating corruption in public sector

From the literature only few studies have analyzed empirical role of auditors in fighting corruption (Ferraz and Finan 2008; Olken 2007; Di Tella and Schargrodsky (2003).

Di Tella and Schargrodsky (2003) did a study to assess the role of audits in reducing the profiteering of procurement officers in public hospitals of Buenos Aires, in Argentina. The authors in this study assessed the impact of audit monitoring policy and the effect of wages on corrupt behavior. Regression-based approach was used to identify large and well-defined 15 percent decreases in medical prices of homogeneous inputs and results showed that the effect of wages on medical prices was insignificant during the first phase of the crackdown (when audit-led results are expected to be greatest), but that the effect was “negative and well-defined” during the final phase of the crackdown (when audit levels are intermediate). Their empirical evidence supports the theoretical work of Becker and Stigler (1974) by showing that high wages paired with a non-zero probability of being audited can be useful in deterring corrupt behaviour. These findings also suggest that the effectiveness of wage increases as an anti-corruption policy may depend on the degree of audit intensity.
Olken (2007) analyzes different methods of reducing corruption using a randomized field experiment in Indonesia. Researcher studies public expenditures on road construction projects in Indonesian villages. Researcher compares the actual construction expenditures with an estimate of construction costs by a group of experts that evaluate each project. The difference between the actual and the estimated expenditures, the ‘missing expenditures’ are his measure of corruption. One treatment of the experiment is to ex ante announce a certain probability of a government audit between 4 and 100 percent. Research findings shows that an increasing audit probability reduces missing expenditures significantly. Olken finds that missing expenditures were 8 percent lower among audited communities. While this is a significant improvement, the study also finds evidence that corruption in the form of “nepotism” among road construction officials actually increased: family members of people at high levels in the implementation of the programme were more likely to access well-paying jobs within the project.

Ferraz and Finan (2008) analyzed the impact of randomly assigned audits that expose corrupt governance on the likelihood of a mayor being reelected. They take advantage of the exogenous difference between municipalities that were audited before and municipalities that were audited after elections. If audits that happened before elections revealed corrupt mayors, reelection chances were dramatically reduced, whereas corrupt mayors that were only audited after elections did not suffer the same electoral problems. This clearly indicates that without the audit voters lack information, which prevents them from fully anticipating corruption and punishing incumbents. This study suggests that independent audits can provide important information and increase transparency, which is necessary to effectively control the agents. This in turn has real effects on the use of public resources and voting behavior.
Brollo (2009) examined usefulness of random federal audits of municipalities and determined the effect of information dissemination on reducing the rate of corruption among mayors in Brazil. In this study author post election auditing was used as anti-corruption strategy clearly combined federal monitoring with the non-financial incentive of re-election. Results indicate that 15 months after audit reports were released corrupt mayors were punished again through elections. Results attribute the effect to the reduction of federal transfers to municipalities, which was felt by the voting populace over a year after the audit. Beyond the initial non-financial incentive of re-election, the reduction in federal transfers acted as a financial incentive to further curb the desire of future mayors to engage in corruption. This study find that the newly implemented system of monitoring, combined with the public release of audit reports and the associated reduction in federal transfers, led to the removal of corrupt mayors from office and was seen therefore to reduce corruption over time.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this chapter is to present the underlying principles of research methodology and the choice of the appropriate research method for the study.

3.1. Area of study and selection criteria

The role of internal audit in fighting corruption within public organizations in Dar es Salaam has been the major focus of this study. Researcher selected public sector organizations in Dar es Salaam because internal audit practices in fighting corruptions in public organization is a new concept and the society in general expect much from auditors in fighting corruption in relation to existing financial scandals.

Researcher in this study included the some of the public sector organizations which in one way or the other has been involved in public financial scandals in recent years such organizations include National Audit Organization, National Development Corporation (NDC), National Investment Corporation (NIC), Tanzania Ports Authority (TPA) and Tanzania Bureau of Standards (TBS). Also this study area has been selected based on time and financial constrains; conducting study in Dar es Salaam enabled the researcher keep travelling costs to a minimum. However, the researcher considered that most of Public organizations have headquarters in Dar es Salaam.
3.2 Research design
Research design can be defined as is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2004). The process of designing a research study involves many interrelated decisions. The most significant decision is the choice of the research approach because it determines how the information will be obtained. This was a cross-cutting study. The main reason for employing this design was to enable researcher in investigating the role of internal audit in fighting corruption within public organizations in Dar es Salaam with minimum expenditure of effort, time allocated and money.

3.3 Research Approach
According to Hair et al (2000), most research objectives can be met by using one of three types of research designs: exploratory, descriptive and causal. This study can be regarded as descriptive; According to Hair et al (2000), descriptive research uses a set of scientific methods and procedures to collect raw data and create data structures that describe the existing characteristics (such as attitudes, intentions, preferences, behaviours, evaluations) of role of internal audit in fighting corruption. Nature of this study was designed to use a mixed methods or both quantitative and qualitative method. Researcher in this study decided to use the mixed method approach by considering the nature of problem identified, the available knowledge about the problem and availability of resources for the study.
3.4 Study population

Population of the study included a total of 65 respondents from finance and audit departments in 5 public sectors as listed in area of study above. According to Malhotra and Birks (2006), “a study population is the collection of elements or objects that possesses the information sought by the researcher and about which inferences are to be made”. Defining the study population involves translating the problem definition into a precise statement of who should and should not be included in the sample (Malhotra & Birks 2006).

In this research, the target population of interest included internal auditors, external auditors, finance directors and chief executives.

3.5 Sample and sampling procedure

According to McDaniel and Gates (2004), the major alternative sampling methods can be grouped under two headings: probability sampling methods and non-probability sampling methods. Non-probability samples are those in which specific elements from the population have been selected in a non-random manner. The researcher can arbitrarily or consciously decide which elements to include in the sample. Commonly used non-probability sampling techniques include convenience sampling, judgemental sampling, quota sampling and snowball sampling (Malhotra & Birks 2006; McDaniel & Gates 2004). Probability samples, on the other hand are selected in such a way that every element of the population has known non-zero likelihood for selection. Simple random sampling is the best-known and most widely used probability sampling method. Probability sampling methods also include systematic sampling, stratified sampling and cluster sampling (McDaniel & Gates 2004).
Based on the nature and sensitivity of the study; judgmental sampling as a non-probability method has been used to select public organizations in Dar es Salaam. Reason for selecting some of the public organization is that there is time and financial constraints hence; researcher has selected those organizations which are currently have financial scandals and internal and external auditors are directly involved in investigating the source of corruptions.

However, researcher has included internal auditors, external auditors, board members, finance directors and chief executives based on judgment. By using this method, the researcher is confident that the selected sample is truly representative of the entire population because it based on the ability and willingness of a person to provide information. Due to the identified reasons for judgemental sampling procedure, researcher included a total number of sixty five (65) respondents.

**Table 3.1: Sample size**

<table>
<thead>
<tr>
<th>Public organization</th>
<th>Internal auditors</th>
<th>Board members</th>
<th>Finance Head of depart/directors</th>
<th>Chief Executives</th>
<th>External auditors</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Audit Organization</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>National Development Corporation</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>National Investment Corporation</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>Tanzania Ports Authority</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>Tanzania Bureau of Standards</td>
<td>5</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>25</strong></td>
<td><strong>10</strong></td>
<td><strong>10</strong></td>
<td><strong>5</strong></td>
<td><strong>15</strong></td>
<td><strong>65</strong></td>
</tr>
</tbody>
</table>

*Source: study findings, (2013)*
3.6 Data collection instruments

Both primary and secondary data were collected. Primary data was obtained through the use of questionnaires and interviews and for the case of secondary data documentation was used. Primary data are raw data and structures of variables that have been specifically collected and assembled for a current information research problem or opportunity situation (Hair et al 2000). Primary data are sourced by the researcher for the specific purpose of addressing the problem at hand and can take the form of qualitative or quantitative research (Malhotra and Birks, 2006).

The data and information collected gave the reflection on the role of internal audit in fighting corruption especially from organizations of public sector and the factors might be influencing auditing practice.

3.7 Data collection methods

Since this study was conducted based on mixed approaches, to collect the required primary and secondary data researcher employed different methods of data collection tools including mixed survey, in depth interview, and secondary data from manuals and annual reports.

3.7.1. Questionnaire

Questionnaire is a data collection instrument in which the respondent reads the survey questions and records his or her responses. A total number of 60 questionnaires were administered to the selected sample of respondents using the non-probability purposive sampling technique. According to Aaker et al (1998), questionnaires can be delivered by the interviewer and can be either picked up or mailed back later. In the current research, a self-administered questionnaire was used to obtain the data from the potential respondents.
To get the basic data on the role of internal audit in fighting corruption especially from organizations of public sector and the factors might be influencing auditing practices the study used survey method with semi-structured questionnaires, that administered face-to-face and interviews with a sample of existing and turn-out performance auditors within selected public sector organizations.

To mitigate the drawbacks of this method such as low response rate and the respondents feeling about the anonymity of their responses; researcher requested permission from the management of the public sector organizations together with the introduction letter for data collection from Mzumbe University, also researcher ensured the confidentiality on the information collected from the respondents.

3.7.2. In-depth interviews with internal auditors

According to Kothari (2004) interview is a method of gathering information in the physical presence of the respondent. The interview method was selected because it helped the researcher to observe and verify the data according to voice expression and gestures of the respondents. Also the respondents had a chance to fully explain what they had concerning the topic and also asked for clarification when needed. Using unstructured questionnaire the in-depth interviews was conducted with the head of internal audit and auditors of the selected public sector organizations on the issues of audit practices and corruption fighting strategies.

3.7.3. Secondary Data

Under this method reports and evaluation, strategic planning, directives, manuals, broachers, proclamations, and mass media output and formal study from external body was used in order to assess the role of internal audit in fighting against social-political factors of corruption and to compare the performance audit trends among the public sector organizations.


3.8 Data Analysis Method and Presentation

In this study data analysis were analyzed through Statistical Package for Social Sciences (SPSS) software programme. After data clearing and data coding, the data will be transferred to SPSS 16.0 version and do the statistical analysis to accomplish the research objectives. The statistical analysis that to be used in the study included Cronbach’s Alpha values for reliability testing. Descriptive data was analyzed and results were defined in terms of percentage and frequencies and presented into charts and tables.
CHAPTER FOUR

RESEARCH FINDINGS, PRESENTATION AND DISCUSSION

4.1 Introduction

The chapter presents the findings of the research from the fieldwork, which comprised of interview and secondary data collection. The findings were analyzed in relation to the objectives of the study. The findings were presented by the simple statistical methods like simple frequencies and percentage presented in tables. Frequency analysis was used to analyze the respondent’s profile while analysis of mean was used to rank respondents perception on the role of internal audit in fighting corruption.

Accordingly, the results were carefully interpreted and discussed throughout this chapter. The study proposed to involve a total of 65 respondents from identified public sector organizations, during data collection only 60 respondents opted to participate in the study and that’s make a response rate of 92.3%. The interview guides were distributed over a three-week period to the selected departments with requisite knowledge to the study objectives.

4.2Respondents demographic characteristics

In order to investigate the knowledge, skills, professional experience and other competencies of respondents in audit environment, demographic characteristics of the respondents such as age, sex, education qualification, their department/section, current job title, and how long they have been in the current office were elicited by the researcher.
4.2.1: Gender distribution among respondents

Gender distribution among respondents was considered to be of the important factor in assessing the perception and involvement of both female and male internal auditors in fighting corruption within public sectors in Tanzania.

Study findings have shown that majority of the respondents 33 (55.0%) participated into the study were male and the rest were represented female respondents 27 (45.0%) as indicated in figure 4.2.1 below.

Figure 4.1: Shows gender distribution of the respondents

![Gender Distribution Pie Chart]

Source: Researcher’s Survey Data, (2013)

The results suggest that slightly more men participated into the study than women respondents. The difference also suggests the educational levels between men and women where men are more educated than women, hence leading to the enrolment in employment sector than female.
4.2.2 Age of the respondents

The respondents were asked to indicate their age so as to establish the validity and clarity of the information provided with regards to the study objectives.

**Figure 4.2: Shows age of the respondents**

Findings of the study have shown that most of the respondents 27 (45.0%) were aging between 36 and 45 years of age, followed by 11 (18.3%) of the respondents who aged between 26 and 35 years of age and 10 (16.7%) of the respondents aged between 46 and 55 years of age. This finding indicates that 80% of the respondents were aging between 26 and 55 years of age, which suggest that at this age most of the employees are assumed to have professional background which makes them capable to perform different jobs and at this age people are highly active and eagerly to achieve higher in terms of career advancement. Least about 8 (13.3%) of the respondents were less than 25 years of age, this explains that at this age very few are absorbed in to perform professional related jobs because they lack enough experience. However, only few
respondents 4 (6.7%) had age group above 55 years, at this age group majority of employees approaching retirement hence have limited chances of developing professional skills. Since audit in Tanzania is a bit new profession and there only very few qualified public certified auditors.

4.2.3 Respondents educational background

Respondents’ educational background was assessed so as to establish the basis of knowledge and skills required for internal auditors in performing their responsibilities and fighting corruptions.

Table 4.1: Respondents educational background

<table>
<thead>
<tr>
<th>Education level</th>
<th>Frequency (N)</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Diploma</td>
<td>15</td>
<td>25.0</td>
</tr>
<tr>
<td>Bachelor Degree</td>
<td>20</td>
<td>33.3</td>
</tr>
<tr>
<td>Master of Degree</td>
<td>12</td>
<td>20.0</td>
</tr>
<tr>
<td>PhD</td>
<td>2</td>
<td>3.3</td>
</tr>
<tr>
<td>Other</td>
<td>10</td>
<td>16.7</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data, (2013)

Findings of the study have shown that respondents hold a range of educational qualifications from certificates to higher university degree and professional qualification levels. Most of the respondents 20 (33.3%) possessed bachelor degree, followed by 15 (25.0%) of the respondents who had diploma qualifications and 12 (20.0%) of the respondents had masters degree while 10 (16.7%) of the respondents reports reported to have other professional qualifications. This result suggests that majority of the respondents involved into the study have higher educational qualifications and would have sufficient knowledge and skills needed for auditing practices.
4.2.4 Respondent’s area of specialization in terms of professionalism

In order for understanding respondents specialty needed for auditing activities in public sectors, researcher requested respondents to indicate their area of specializations as these can be used to predict level of perception on fighting corruption within the public sectors.

Findings of the study have shown a wide range of respondent’s specializations as reflected in table 4.2.4 below. These findings suggest that all of the respondents were qualified to participate in auditing practices as there are very few certified public accounts or auditors in Tanzania.

Table 4.2: Respondent’s area of specialization in terms of professionalism

<table>
<thead>
<tr>
<th>Area of Specialization</th>
<th>Frequency (N)</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and Accounts</td>
<td>20</td>
<td>33.3</td>
</tr>
<tr>
<td>Business Administration</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Procurement management</td>
<td>8</td>
<td>13.3</td>
</tr>
<tr>
<td>Certified Public Accountant/auditor</td>
<td>13</td>
<td>21.7</td>
</tr>
<tr>
<td>Others</td>
<td>7</td>
<td>11.7</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>60</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Researcher’s Survey Data, (2013).*

Since, internal audit work requires knowledge and experience on a wide range of systems and operations, it is imperative to deploy or employ auditors with extensive professional skills and to upgrade their skills through continuing professional training and development.
4.2.5 Respondents working experience

Working experience of an individual determine the skills and accuracy of work performed as well as the quality of information provided on the study objectives. Findings of the study have shown that 38 (63.3%) of the respondents had working experience between 5 and 10 years followed by 13 (21.7%) of the respondents who had more than 10 years working experience while only few respondents 9 (15.0%) had less than 5 years working experience in their respective departments. These findings show that all of the respondents had enough working experience within the organization and it suggests that they have the required knowledge and skills on service delivery operations (table 4.3).

Table 4.3: Respondents working experience

<table>
<thead>
<tr>
<th>Working experience</th>
<th>Frequency (N)</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>below 5 years</td>
<td>9</td>
<td>15.0</td>
</tr>
<tr>
<td>5-10 years</td>
<td>38</td>
<td>63.3</td>
</tr>
<tr>
<td>Above 10 years</td>
<td>13</td>
<td>21.7</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data, (2013).

4.3 Research findings based on study objectives

In this section data findings from the field were presented and interpreted accordingly. Findings of the study in table 4.3.2, 4.3.3 and 4.3.4 were coded as 1 representing “extremely low and low”, 2 means “average” and 3 means “high and extremely high” variables, N means frequencies and STD DEV means standard deviation. In a Likert like scale consisting of 5 statements mean ranking was analyzed and mean score values above 3 was regarded as positive responses while those below 3 was regarded as negative or low extent of the variable scored.
The overall main objective of the study was to assess the role of internal auditors in fighting corruption within public sector in Tanzania. This objective was achieved by assessing the main roles of auditors assigned to them and measures their perception with regards to detecting corruption.

In order to determine roles of internal auditors in fighting corruption, researcher requested respondents to indicate types of the audits they perform in their respective organizations (table 4.4).

**Table 4.4: Shows types of audits in public sector**

<table>
<thead>
<tr>
<th>Types of audit</th>
<th>Frequency (N)</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>25</td>
<td>41.7</td>
</tr>
<tr>
<td>Financial</td>
<td>13</td>
<td>21.7</td>
</tr>
<tr>
<td>Performance</td>
<td>22</td>
<td>36.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Researcher’s Survey Data, (2013)*

Findings of the study have shown that there are three types of internal audits performed within public sectors in Tanzania. Internal auditors in public sectors are entitled to perform different auditing activities including compliance, financial and performance audits. Further, findings have shown that compliance audit performed by internal auditors involving assessing compliance with environmental legislation and organizational policies followed by financial audit which addresses the possibility of misstatements in financial statements which can stem from errors or fraud. Auditors are concerned with fraud that causes a material misstatement while performance audits which is regarded as the most powerful instrument to help prevent corruption.
Table 4.5: Existence of corruption fighting campaigns including code of conduct for employees and vendors

<table>
<thead>
<tr>
<th>Existence of corruption fighting campaigns including code of conduct for employees and vendors</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>13</td>
<td>21.7</td>
<td></td>
<td>2.8500</td>
</tr>
<tr>
<td>Low</td>
<td>12</td>
<td>20.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>7</td>
<td>11.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>12</td>
<td>20.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>16</td>
<td>26.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data, (2013)

Internal auditor’s role in fighting corruption within the public sector depends on the existence of strong organization’s code of conducts established for employees and vendors; as indicated by most of the respondents 41.7% who agrees on the statement with mean perception value of 2.8500 which suggest that combating corruption requires a comprehensive forms which includes a clear set of regulations against corrupt practices and awareness raising campaigns within the organizations. This finding is in line with the argument of Khan (2006), who suggested that auditors in public sectors often deal with the corruption opportunities created by the loopholes in organizations rules, regulations, procedures and operational standards of the public sector.

Table 4.6: Adequate auditing practices and anti-corruption training

<table>
<thead>
<tr>
<th>Adequate auditing and anti-corruption trainings</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>16</td>
<td>26.7</td>
<td></td>
<td>3.1500</td>
</tr>
<tr>
<td>Low</td>
<td>8</td>
<td>13.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>5</td>
<td>8.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>15</td>
<td>25.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>16</td>
<td>26.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data, (2013)
Majority of the respondents 51.6% have shown that adequate auditing practices and anti-corruption training provide internal auditors with confidence and skills in investigating corruption cases during routine auditing practices. This statement was perceived with mean score value of 3.1500 which suggest that the role of internal audit in fighting corruption within public sectors depends much on the adequacy of training on audit practices which can assist them in investigating of the opportunities for corruption. Khan (2006) reported similar suggestion that adequate training and effective audit practices the opportunities for corruption.

Table 4.7: Existence of approved rules and incentives against corruption

<table>
<thead>
<tr>
<th>Existence of approved rules and incentives</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>13</td>
<td>21.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>12</td>
<td>33.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>7</td>
<td>17.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>12</td>
<td>23.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data, (2013)

Apart from the training and auditing practices, findings of the study have shown that existence of approved rules and incentives against corruption attempts facilitate internal auditor’s role within the public sector in Tanzania. Most of the respondents agreed on this statement with response rate of 41.7% which suggest the mean perception value of 2.933 that indicate that auditors can use approved rules and integrate them into participatory auditing. These findings are almost similar to that Brollo (2009) who reported that both financial and non financial incentives together with approved information system can lead to removal of corrupted employees in federal municipalities.
### Table 4.8: Existence of departmental laws, regulations and rules accessible to auditors

<table>
<thead>
<tr>
<th>Existence of departmental rules and procedures accessible to internal auditors</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>19</td>
<td>31.7</td>
<td>2.7833</td>
<td>1.48543</td>
</tr>
<tr>
<td>Low</td>
<td>11</td>
<td>18.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>8</td>
<td>13.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>9</td>
<td>15.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>13</td>
<td>21.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Researcher’s Survey Data, (2013)*

Internal auditors have the mandate to review access and use departmental laws, regulations and procedures during their investigation. However, findings of the study have revealed that majority of the respondents 50% indicate extremely low perception on the statement with mean perception level of 2.7833 which suggest that internal auditors use departmental laws and regulations only when investigating staff in interpreting various rules, in explaining various practices, in sharing some of the confidential information that they may possess or discussing technical details of operations and not in reviewing them.

### Table 4.9: Top management support

<table>
<thead>
<tr>
<th>Top management support</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>7</td>
<td>11.7</td>
<td>2.7333</td>
<td>1.43641</td>
</tr>
<tr>
<td>Low</td>
<td>21</td>
<td>35.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>11</td>
<td>18.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>15</td>
<td>25.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>6</td>
<td>10.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Researcher’s Survey Data, (2013)*
On the other hand, most of the respondents 46.6% indicated extremely low perception on the level at which top management support internal auditors in developing acceptable audit criteria. This was perceived with mean score value of 2.7333 which suggest that top management within public sector do not provide internal auditors with the auditing procedure assertions which can be verified during their audit work. Khan (2006) asserted that one of the role of internal auditors in fighting corruption is their abilities develop audit criteria which acts as a benchmark to see if the organization’s systems and procedures comply with them.

4.3.1 To assess the extent to which social-political factors influence technical auditing practices in public sector.

Research objective number one aimed at investigating the respondent’s perception at which social-political factors influence internal audit’s technical practices in public sector.

<table>
<thead>
<tr>
<th>Inspection power entitled to internal auditors</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>9</td>
<td>15.0</td>
<td>3.1167</td>
<td>1.56326</td>
</tr>
<tr>
<td>Low</td>
<td>10</td>
<td>16.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>2</td>
<td>3.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>15</td>
<td>25.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>10</td>
<td>16.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data (2013)

While socio-political considerations have the ability to intrude on technical decisions at any moment in time findings of the study have revealed that majority of the respondents’ majority of the respondents 65% indicates extremely high perception on the extent of inspection power entitled to them as internal auditors. This statement was perceived with mean score value of 3.1167 which suggest that existence of political hierarchy sometimes interfere with the inspection power entitled to internal auditors. All of the financial and internal control inspections are carried out based on political decisions.
Shapiro (1990) notes that because the perpetrator often has the ability to conceal fraudulent behavior, the detection of fraud can often be extremely difficult, specifically, increased power can result in the increased exploitation of the controls in place, thus making the detection of fraud more difficult.

Table 4.1: Existence of minimum working tension between political policy and auditing

<table>
<thead>
<tr>
<th>Existence of minimum working tension</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>6</td>
<td>10.0</td>
<td>3.133</td>
<td>1.17122</td>
</tr>
<tr>
<td>Low</td>
<td>18</td>
<td>30.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>11</td>
<td>18.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>16</td>
<td>26.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>9</td>
<td>15.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data, (2013)

On the other hand, auditing practices in public sector is affected by the existence of working tension between political policies domains and boundaries of the auditing. Findings of the study have shown that majority of the respondents 66.6% indicate extremely low perception on the minimum tension between political policy and domains of auditing practices. This perception was ranked with mean score value of 3.0667 which suggest that there is maximum tension which hinder proper auditing practices due to political policies. Similar findings were reported by Gendron et al. (2007) regarding the ever-present tension regarding the limits of auditing and whether auditing should have the ability to intrude into the policy arena referred to as the power to audit “everything”. Radcliffe (1999) further reported that auditors may define effective audit action as action that forecloses the possibility for political controversy and, hence, embarrassment to politicians.
Table 4.12: Existence of political and bureaucratic procedures facilitate auditing work

<table>
<thead>
<tr>
<th>Existence of political and bureaucratic procedures</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>7</td>
<td>11.7</td>
<td>3.0687</td>
<td>1.16250</td>
</tr>
<tr>
<td>Low</td>
<td>16</td>
<td>26.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>10</td>
<td>16.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>15</td>
<td>25.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>12</td>
<td>20.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data, (2013)

Despite the existence of maximum tension between political policy and auditing practices, results of the study have further reveal that most of the respondents 45.0% disagreed that political and bureaucratic procedures facilitate auditing work in attaining the publicly-stated goals of accountability and transparency, this was perceived with mean score value of 3.0687 which suggest that political and bureaucratic procedures hinder auditing activities in accordance to accountability and transparency policies in public sectors. Similar findings were reported by Olken (2007) argued that unless bureaucrats are warned in advance not to interfere on auditing activities and open communication of audit results into the community facilitated reduction in missing expenditure by 8 percent. Jameel (2008) also reported that auditing bureaucracy has the effect on reduction level of corruption.

Table 4.13: Reliance of external auditors on work of internal auditors

<table>
<thead>
<tr>
<th>Reliance of external auditors on work of internal auditors</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>1</td>
<td>3.3</td>
<td>3.2667</td>
<td>0.66042</td>
</tr>
<tr>
<td>Low</td>
<td>8</td>
<td>13.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>9</td>
<td>15.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>15</td>
<td>25.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>17</td>
<td>28.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data, (2013)
Majority of the respondents in the study 70.0% have extremely high perception that 
external, accountant general and anti-corruption bodies of the government rely more on 
the internal auditor’s reports and auditing practices which can suggest existence of 
corruption within the public sector. This was perceived with mean score value of 3.2676.

Table 4.14: Reliance of external auditors on work of internal auditors

<table>
<thead>
<tr>
<th>Reliance of external auditors on work of internal auditors</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>1</td>
<td>3.3</td>
<td>3.267</td>
<td>0.66042</td>
</tr>
<tr>
<td>Low</td>
<td>8</td>
<td>13.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>9</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>15</td>
<td>25.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>17</td>
<td>28.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data, (2013)

However, findings of the study have further reveal that majority of the respondents 
90.0% have extremely high perception that auditors are free to examine whether money 
has been spent for the purposes intended by parliament and whether the expenditure 
conforms to the authority governing it. This was perceived with mean score value of 
3.5167 which suggest that internal auditors have the mandate to conduct compliance 
auditing within the public sector regardless of the political influences.

Table 4.15: Junior auditors participation in delicate auditing report writing

<table>
<thead>
<tr>
<th>Junior auditors participation in delicate auditing report writing</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>16</td>
<td>26.7</td>
<td>3.200</td>
<td>1.31226</td>
</tr>
<tr>
<td>Low</td>
<td>10</td>
<td>16.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>4</td>
<td>6.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>19</td>
<td>31.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>11</td>
<td>18.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data, (2013)
But these findings restrict junior internal auditors in final negotiation of the audit reports with corruption and detected fraud queries as this was rated by 50.0% of the respondents with mean perception value of 3.200. Most of the time junior auditors work best to fulfill their professional responsibilities including reporting of the detected frauds and corruption opportunities. Radcliffe’s (2008) proposes that junior auditors are partially buffered from these considerations and that it is senior auditors who explicitly deal with the ‘politics’ of auditing. Other researchers such as Neu, Everett and Rahaman (2010), reported that hierarchical notion of professional duty that allows junior audit team members to make sense of and discharge their professional obligations in highly-politicized audit environments.

4.3.2 To assess the relationship between internal control system and Anti-Corruption strategies in combating the roots of corruption in public sectors.

Research objective number two aimed at assessing the relationship between internal control systems and anti-corruption strategies in combating the roots of corruption within public sector in Tanzania.

Table 4.16: involvement of internal auditors in designing internal control systems

<table>
<thead>
<tr>
<th>Junior auditors participation in delicate auditing report writing</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>16</td>
<td>26.7</td>
<td>3.2833</td>
<td>0.90370</td>
</tr>
<tr>
<td>Low</td>
<td>17</td>
<td>28.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>10</td>
<td>16.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>7</td>
<td>11.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>10</td>
<td>16.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data, (2013)
Internal control in this study is defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objective. Findings of the study have revealed that majority of the respondents 55.0% are not involved in direct designing of the internal control system but instead they assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control. This was perceived with mean score value of 3.2833. Ratcliffe and Landes (2009) found that internal auditors are involved identifying scenarios in which theft or loss could occur and determining if existing control procedures effectively manage the risk to an acceptable level and any deviation can indicate fraud scenarios.

Table 4.17: Organizational power influence on audit work

<table>
<thead>
<tr>
<th>Organizational power and its influence on audit work</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>4</td>
<td>6.7</td>
<td>4.8333</td>
<td>0.52615</td>
</tr>
<tr>
<td>Low</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>2</td>
<td>3.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>19</td>
<td>31.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>35</td>
<td>58.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>60</strong></td>
<td><strong>100.0</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Researcher’s Survey Data (2013)*

However, majority of the respondents 90.0% have indicated extremely high perception on the ways that organizational power influence what audit work is practiced and what opinions are expressed with regards to functioning of the internal control system and anti-corruption strategies integrated into these programs. This was perceived with mean score value of 4.8333 which suggest that organizational power has greater influence on the internal control systems which also impair independence objectivity of the internal audit with the existing internal control systems as majority of the respondents indicated extremely low perception on their independence as the organization put less of an emphasis on training with regards to effectiveness of internal control, and inability to
separate duties among individuals within the public sector. These findings were also reported by (Holmes et al. 2000); Neu, Everett and Rahaman (2010) found organizational factors were main determinants of inefficient internal control system operations within public sectors.

Table 4.18: internal auditing strategies on fighting corruption

<table>
<thead>
<tr>
<th>Internal auditing strategies in fighting corruption</th>
<th>Frequency (N)</th>
<th>Percentage (%)</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely low</td>
<td>14</td>
<td>23.3</td>
<td>3.0333</td>
<td>1.52900</td>
</tr>
<tr>
<td>Low</td>
<td>15</td>
<td>25.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>3</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>19</td>
<td>31.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extremely high</td>
<td>9</td>
<td>15.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>60</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey Data, (2013)

Effective functioning of the internal control system depends on the level of understanding how accounting and auditing become implicated in organizational functioning, especially the ways that external forces such as political and bureaucratic policies influence the activities of organizational actors such as auditors. Findings of the study have shown that respondents have mixed perception on the ways internal auditors set their strategies on fighting corruption in relation to coexist with other organizational participants. This was perceive with mean score value of 3.0333 which suggest that auditing in public sector is intertwined with social and organizational actions. Gibbins et al. (2007) similarly note the importance of the relationships that exist amongst auditors and their clients as key contextual features worth examining. (Zikmund 2008), found that internal auditors’ skills and abilities to determine the top fraud risks in terms of likelihood and impact are vital to the company’s anti-corruption program.
4.3.3 To assess formal communication procedures in reporting detected corruption cases within public sector

Research objective number three aimed at assessing the formal communication procedures in reporting detected corruption cases within public sectors in Tanzania. To gain an understanding of the audit procedures used by internal auditors; in the open ended question respondents requested to list the top three audit procedures used to detect corruption frauds.

Majority of the respondents 73.3% (11 out of 15 interviewed respondents) indicated that internal auditors rely on the internal control system to detect deception risks on financial and material statements and make decision on which audit procedure to use when they attempt to determine if a corruption has occurred. Followed by 40.0% (6 out of 15 interviewed respondents) who revealed that the most frequently reported steps were a review of internal controls around the segregation of duties while other 53.3% (8 out of 15 respondents) rely on the priority audit procedures included auditing employees’ expense reports, reviewing organization policies and following up filed complaints.
Findings have also revealed that 80.0% (12 out of 15 interviewed respondents) noted to use analytical procedures and risk assessment techniques, looked for weaknesses in internal controls, performed audit tests and in-depth audits. On the other hand, 60.0% (9 out of 15) respondents reported to review the whistleblower policy and tips submitted to a hotline as the most important audit steps to identify corruption issues. Some respondents reported observing employees and interviewing as part of an overall risk assessment.
Findings of the study have further indicated that after detection of the corruption or fraud cases, respondents reported to follow a certain reporting procedures as identified in figure 4.3 below.

Results shows that internal auditors rely more on the existing laws and regulations with regards to detection and reporting of the corruption or fraud cases; where by 86.7% of the interviewed respondents indicated quantification amount of the loss on a certain types of fraud, illegal acts, and violations of provisions of contracts or grant agreements, or abuse and then they pinpointing of the fraud or corruption perpetuator 66.7%. After pinpointing internal auditors has the mandate to communicate with charged personnel, auditing committee and others involved on the issue and address the effect fraud or illegal acts may have on the financial attest audit report depends on the level of the corruption. When auditors detect minor, but reportable, violations of provisions of contracts or abuse that is not material from a financial attest perspective, they usually communicate the findings in a management letter to officials of the audited entity.
However, 66.7% of the respondents indicated that they are required to produce simple and understandable report with proper evidence documentation which can be tested before the law and the rest of the respondents reported that when giving an audit opinion and recommendation on financial statements, they usually suggest on what can be done with regards to the extent of the reported corrupted or fraud level.

**Figure 4.5: Reporting procedure of the detected corruption/fraud cases**

*Source: Researcher’s Survey Data, (2013)*
4.3.4 To assess main challenges hinder the role of internal audits in fighting corruption within public sectors.

Research number four aimed at assessing the main challenges hinders the role of internal audits in fighting corruption within public sectors in Tanzania. In the open ended questions, respondents were asked to list main challenges hinder them to fight corruption in their organizations.

Figure 4.6: Main challenges hinder the role of internal audits in fighting corruption within public sectors

Source: Researcher’s Survey Data, (2013)
Findings of the study 88.3% (53 respondents out of 60) have revealed that lack of the technological skills hinder internal auditors to perform their basic audit functions such as monitoring of the electronic transactions and access to some of the government systems and data relevant to their auditing activities. Majority of the respondents 90.0% (54 respondents) have indicated that lack of independence due to political and organizational influences which hinder internal auditors’ power in investigation and detection of the weak internal control systems as well as lack sufficient authority to ensure that audit findings and recommendations are acted on within the public resource management process. Similar results were reported by Krafchik and Ramkumar (2005) who found that political and bureaucratic influences hinder independence of the auditors to do their work. Khan (2009) reported lack of independence and resources to play internal auditors role in fighting corruption.

On the other hand, 75% (45 respondents) reported lack of training and skills updates in modern forensic auditing techniques leaves the available internal audit staff ill-equipped to detecting and gathering sufficient evidence, and to effectively carry out its functions or roles of oversight, insight and foresight or risk based auditory investigative responsibilities. Apart from that 67% of the respondents further reported that deficiency in the accounting systems of most public sector organizations, which include inadequate, unreliable, and untimely information systems; improper recording and classification of different financial transactions, and; incompleteness of records and supporting documents. Thus, financial statements and reports which are expected to be the main indicators of financial conditions and present the different financial activities of organizations fail to disclose material information that can facilitate accountability. This provides inadequate safeguards against fraud, corruption, and other malpractices.
Others 55% (33 respondents) reported that the penalties imposed for fraud and corruption offences are not harsh enough and are not proportionate to the amounts defrauded. Also 60% (36 respondents) have indicated that the system of collecting different charges and fees imposed by different councils and states does not facilitate accountability of collectors, especially the itinerant collectors, but rather, it encourages fraud and corruption. Due to the existence of political and administrative power, majority of the respondents 75% (45 respondents) reported that some public sector employees prefer to keep silent regarding discovered fraud or misuse of government properties by politicians or senior staff, because they fear to lose their jobs or to face other unpleasant consequence such as transfer to remote areas. Other employees do not know how and to whom they report discovered financial offences independently of their own line management, and real problems exist when the suspect is the line manager.
CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this part the researcher review the whole thesis and highlight future research directions.

5.2 Overview of the dissertation and its major findings

The research aimed to assesses the role played by internal auditing practices in fighting corruption within Tanzania public sector. The study objectives were (1) To assess auditors’ perception on the extent to which social-political factors influence technical auditing practices within public sectors, (2) To assess the relationship between internal audit control system and the Prevention and Combating of Corruption Bureau, (3) To assess formal communication procedures in reporting detected corruption cases within public sector, (4) To assess main challenges hinder effective internal audits in public sectors.

The study combined diagnostic and descriptive research design on which quantitative data was collected from a sample of 60 respondents whom were randomly selected from the population sample. Data analysis was done by SPSS program where descriptive analysis was done to present descriptive data interpreted into frequencies, percentage, mean and standard deviations.

Findings of the study have shown that internal auditors in public sectors are entitled to perform different auditing activities including compliance, financial and performance audits. Internal auditor’s roles in fighting corruption within the public sector requires a comprehensive forms and clear set of regulations, use of approved rules integrate into
participatory auditing, adequate training on modern auditing and anti-corruption and fraud awareness raising campaigns within the organizations. Due to existence of political hierarchy sometimes interfere with the inspection power entitled to internal auditors as it restrict them to use departmental laws and regulations only when investigating staff in interpreting various rules, in explaining various practices, in sharing some of the confidential information that they may possess or discussing technical details of operations and not in reviewing them. This findings is accompanied by the existence of maximum tension which hinder proper auditing practices which also restricts accountability and transparency practices as majority of the respondents reported not to fulfill their professional responsibilities in reporting of the detected frauds and corruption opportunities.

In relation to control system, respondents were not involved directly in designing of the internal control system but instead they are involved in making suggestions on their working efficiency. During auditing practices internal auditors utilize internal control system to detect deception risks on financial and material statements and make decision on which audit procedure to use when they attempt to determine if a corruption has occurred. They also conduct analytical procedures and risk assessment techniques, looked for weaknesses in internal controls, performed audit tests and in-depth audits and review the whistleblower policy and tips submitted to a hotline as the most important audit steps to identify corruption issues. Some respondents reported observing employees and interviewing as part of an overall risk assessment. But the existence of the political influence and organizational power impair independence objectivity of the internal audit with the existing internal control systems.

However, results shows that internal auditors rely more on the existing laws and regulations with regards to detection and reporting of the corruption or fraud cases; where by respondents indicated quantification amount of the loss on a certain types of fraud, illegal acts, and violations of provisions of contracts or grant agreements, or abuse
and then they pinpointing of the fraud or corruption perpetuator. After pinpointing internal auditors has the mandate to communicate with charged personnel, auditing committee and others involved on the issue and address the effect fraud or illegal acts may have on the financial attest audit report depends on the level of the corruption accompanied with simple and understandable report with proper evidence documentation which can be tested before the law and the rest of the respondents reported that when giving an audit opinion and recommendation on financial statements, they usually suggest on what can be done with regards to the extent of the reported corrupted or fraud level.

Lastly the study have revealed that lack of training and skills updates in modern forensic auditing techniques, lack of independence due to political influences and organizational power in investigation and detection of the weak internal control systems as well as lack sufficient authority to ensure that audit findings and recommendations are acted on within the public resource management process hinder internal auditors in their work to perform auditing and fighting corruption. Other challenges identified included deficiency in the accounting systems of most public sector organizations, which include inadequate, unreliable, and untimely information systems; improper recording and classification of different financial transactions, and; incompleteness of records and supporting documents. Inadequate penalties imposed for fraud and corruption offences are not harsh enough and are not proportionate to the amounts defrauded. And fear to lose job or transfers to remote areas makes some public sector employees prefer to keep silent regarding discovered fraud or misuse of government properties by politicians or senior staff. Other employees do not know how and to whom they report discovered financial offences independently of their own line management, and real problems exist when the suspect is the line manager.
5.3 Conclusion

In this section conclusion of each research objective is drawn based on the research findings.

Findings of the study have shown that internal auditors in public sectors are entitled to perform different auditing activities including compliance, financial and performance audits. Internal auditor’s roles in fighting corruption within the public sector requires a comprehensive forms and clear set of regulations, use of approved rules integrate into participatory auditing, adequate trainings on modern auditing and anti-corruption and fraud awareness raising campaigns within the organizations.

It can be concluded that existence of political and bureaucratic hierarchy in public sector interfere with the inspection power entitled to internal auditors; these political and bureaucratic procedures restrict internal auditors to review departmental rules and procedures in relation to internal control system and instead they are allowed to access organizational and departmental laws and regulations only when investigating staff in interpreting various rules, in explaining various practices, in sharing some of the confidential information that they may possess or discussing technical details of operations. In the end this increases maximum tension for auditing practices which also hinder accountability and transparency practices in reporting of the detected frauds and corruption opportunities.

This objective was accomplished with the findings that due to political and organizational power influences internal auditors are not involved directly in designing of the internal control system but instead they are involved in making suggestions on their working efficiency. Researcher concludes that internal auditors in public sector have the role to utilize internal control system in detecting all sorts of deception risks on financial and material statements and suggest on auditing procedure attempting to
determine if a corruption has occurred. Internal auditors in public sector also have the mandate to conduct analytical procedures and risk assessment techniques, to identify weaknesses in internal controls, performed audit tests and in-depth audits and review the whistleblower policy and tips submitted to a hotline as the most important audit steps to identify corruption issues.

Research objective number three was accomplished and findings have shown that internal auditors rely more on the existing laws and regulations with regards to detection and reporting of the corruption or fraud cases. It can be concluded that internal auditors face political and organizational power influences in the ways of communicating detected fraud and corruption cases, which restrict them in resuming their professional responsibilities especially for junior internal auditor staff, all of the auditing reports and detected corruption cases are discussed and negotiated by the senior staff, who also were reported to be the main sources of acts.

Research objective number four was accomplished and findings reveals that lack of training and skills updates in modern forensic auditing techniques, lack of independence due to political influences and organizational power in investigation and detection of the weak internal control systems as well as lack sufficient authority to ensure that audit findings and recommendations are acted on within the public resource management process hinder internal auditors in their work to perform auditing and fighting corruption.

It can be concluded that internal auditors work under very maximum tension of the work with minimum organizational support on auditing training and skills update, traditional accounting systems which are inefficient in detecting corruption risks which include inadequate, unreliable, and untimely information systems; improper recording and classification of different financial transactions, and; incompleteness of records and supporting documents.
Also when they manage to detect corruption cases, there are inadequate penalties imposed for fraud and corruption offences and this discourage them to perform their technical duties because they fear to lose job or transfers to remote areas.

5.4 Recommendations

Based on the findings obtained the following recommendations can be drawn to the public sector institutions.

(i) Each public sector should create tie relationship with their respective internal audit function unit to apply the finding of auditing reports as an input tool in anti-corruption struggle.

(ii) Public sector organizations should need to solve those challenges facing auditors and should have to pay attention for auditors’ motivation such as training opportunities, provision of technological skills and enforcing each auditee to implement audit recommendations.

(iii) The government should to focus in developing knowledge and skill of auditors with package benefits in fighting corruption.

(iv) Each of the researched organization should arrange awareness programs for auditors on the nature of corruption, detection and prevention of corruption by enhancing joint tasks.
5.4 Area for further studies

This study raises some interesting research problems and future directions for further studies. The current study is far from the final word on the role of internal audit in fighting corruption in relation to socio-political influence of public sector auditing. The analysis does provide a set of concepts regarding the salience of socio-political considerations within audit processes. It also illuminates the complexities of internal auditing within the public sector. Since the current study did not dwell into details on audited reports within the organizations, it suggests an empirical study to review all of the public audited reports and analyze into details on the aspects of the auditing and corruption detection in all of the public and private organizations.
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QUESTIONNAIRE

Dear respondent

This study is entitled “The Role of Internal Auditors in Fighting Corruption; Evidence from Public Organizations in Tanzania.

This survey questionnaire is prepared in order to get the necessary information to undertake study on the above stated title. The purpose of the study is to assess the extent to which social-political factors influence technical auditing practices in public sector; to assess the relationship between internal audit control system and The Prevention and Combating of Corruption Bureau in combating the roots of corruption in public sectors; to identify formal communication procedures in reporting detected corruption cases within public sector as well as to assess main challenges hinder effective performance audits in public sectors.

Since most of the questionnaires stated below include both open and closed-ended type, responding to them may not take much time. Any information provided will be kept confidential. Therefore, I cordially request your esteemed organization for volunteer to respond the questionnaire and provide accurate and complete data. Partaker is capable of get access to summary research findings at the time of completion of the study upon demand.

A: Profile of the respondent

1. Gender: (i) Male (  ) (ii) Female (  )
2. Age of the respondent (Years) (i) below 25 (  ) (ii) 25-35 (  ) (iii) 35-50 (  ) (iv) Above 50 (  )
3. Educational Level: (i) Certificate (  ) (ii) Diploma (  ) (iii) Bachelor Degree (  ) (iv) Master of Degree (  ) (v) PhD (  ) (vi) Other (  )
5. Area of specialization; Please mention ..............................................................
6. The current working position within the organization; please mention..............................................................
7. Working experience (i) less than 1 year ( ) (ii) 1-5 years ( ) (iii) 5-10 years ( ) (iv) Above 10 years ( )

B: The Role of internal auditing in fighting corruption

8. Which types of audit play significant role in fighting corruption? (i) Financial audit ( ) (ii) Fraud audit ( ) (iii) Environment audit ( ) (iv) Performance audit ( )
9. To assess the extent to which social-political factors influence technical auditing practices in public sector.
   i. The extent of inspection power entitled to you as internal auditor ........................................................................................................1 2 3 4 5
   ii. Existence of minimum tension between political policy domain and boundaries of auditing.................................................................1 2 3 4 5
   iii. Existence of political and bureaucrat procedures facilitate your work in attaining the publicly-stated goals of accountability and transparency.........................1 2 3 4 5
   iv. Existence of political and bureaucratic policy allowing junior auditors to participate in delicate work of writing and negotiating final auditing reports ...........1 2 3 4 5
   v. The extent of reliance of external auditors on the work of internal auditors .................................................................................................1 2 3 4 5

10. The relationship between internal audit control systems and The Prevention and Combating of Corruption Bureau in combating roots of corruption in public sectors. In this section you are required to indicate your level of perception against the provided statements with regards to effective audit control systems in fighting corruption.
   i. The level of internal auditors’ involvement in designing internal controls..............................................................1 2 3 4 5
ii. The level of perceived independence and objectivity of internal audit work with existing internal controls……………………………………………………..1 2 3 4 5

iii. The ways that organizational power influence what audit work is practiced and what opinions are expressed………………………………………………………..1 2 3 4 5

iv. The existing internal controls influence the ability to discover and report on corruption……………………………………………………………………1 2 3 4 5

v. Internal auditing strategies on fighting corruption allow you to do your work and coexist with other organizational participants…………………………..1 2 3 4 5

11. The main challenges hinder effective performance audits in public sectors.

Please explain the main challenges that effective performance audit in your organization

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....................................................................................................................................
....................................................................................................................................
....................................................................................................................................
....................................................................................................................................
....................................................................................................................................
Interview guide with head of internal audits

1. What qualifications in terms of formal education does your office look for in recruiting staff of your Audit Department or division?

2. How your auditors general work with Ethics and Anticorruption commission?

3. What are the formal communication procedures in reporting detected corruption cases within public sector?

4. What are the Overall contribution of internal audit in relation to struggle against corruption within the state and country level?

5. What are the pitfalls (problems) that are encountered during auditing work in relation to struggle against corruption?