THE EFFECTIVENESS OF INTERNAL AUDITORS IN MANAGING FINANCIAL ISSUES IN LOCAL GOVERNMENTS: THE CASE OF KINONDONI MUNICIPAL COUNCIL

By
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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Mzumbe University a dissertation entitled: THE EFFECTIVENESS OF INTERNAL AUDITORS IN MANAGING FINANCIAL ISSUES IN LOCAL GOVERNMENTS: THE CASE OF KINONDONI MUNICIPAL COUNCIL in partial fulfilment of the requirements for the Master Degree of Public Administration of the University of Mzumbe

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Dr. Boniface E.S. Mgonja
(Supervisor)

Date………………………………….
DECLARATION

AND

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I, Tumaini Charles, declare that this dissertation is my own original work and that it has not been and shall not be submitted to any other university or higher leaning institution for a similar or any other degree award.

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DEDICATION

I dedicate this dissertation to my lovely daughter Melisa. I want her to know that education is the only treasure and heritage I can hand over to her.
## LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>AAA</td>
<td>American Accounting Associations</td>
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<tr>
<td>CAG</td>
<td>Chief Auditor General</td>
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<tr>
<td>IFAC</td>
<td>International Federation of Accountant</td>
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<td>ISA</td>
<td>International Standards on Auditing</td>
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<tr>
<td>LGAs</td>
<td>Local Government Authorities</td>
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<td>LGRP</td>
<td>Local Government Reform Programme</td>
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<td>NAO</td>
<td>National Audit Office</td>
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<td>PER</td>
<td>Public Expenditure Review</td>
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<td>Public Finance Regulations</td>
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ABSTRACT

The study aimed at assessing the role of internal audit department in managing finances on Local Government Authority with a view of improving local governance and financial reporting procedures in Tanzania. It was based on the field work which was conducted in Kinondoni District of Dar es Salaam Region and it comprised a total of 80 respondents, which included internal auditors, accountants, management team members and external auditors. To conduct this study, several research methods were used so as to achieve the set objectives. Such methods included interviews, questionnaires and review of various literature and documents related to the theme of this study.

As a whole, this study found out that internal audit department still faces a number of challenges in managing finances within LGAs. For instance, it was established that internal auditors receive little support from the management and their reports are not given due importance as those of their counterparts, external auditors. Additionally, the study found out that inadequate funding allocated to internal auditors is also a hindering factor for internal auditors to perform their functions in an effective manner.

The study recommends that there is a need to allocate sufficient resources to internal audit department as well as setting a mechanism which will prevent top LGA officials from interfering the internal audit functions. Furthermore, the study proposes the need to improve internal auditors’ working conditions and to allocate adequate funds for training and development of internal auditors within LGAs. Lastly, the study also challenges internal auditors themselves to put more efforts on developing their skills and knowledge to fit the organizational changes and needs.
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CHAPTER ONE:
INTRODUCTION AND BACKGROUND INFORMATION

Background to Research Problem
On attaining her independence in 1961, the then government of Tanganyika abolished the law established in 1926 Vide Native Authority Ordinance (CAP 72) and new legislation, Local Government Ordinance, Cap.333 was enacted in 1963 which created executive council covering the whole country. These councils were composed of elected councillors with small number of members.
Local government authority was expected to solve social-economic crisis and at the same time develop management capacity for survival (Halfani and Sendoro, 1990:1). The management capacity encompasses the authority disposition, institution (organization) capacity in terms of finance, man power, and working equipment.
Local governments in Tanzania play an important role in the delivery of Government services as they are assigned the responsibility to deliver key public services as such as primary education, basic health services and other typical local public services. In order to carry out these responsibilities, they have to collect public funds through taxes, license, fees and charges.

Several attempts were made to decentralize, one being more comprehensive than the other. However, most of these attempts failed to achieve the objective as aimed at, thus in year 2002 Local Government Reform Programme (LGRP) was introduced to restructure local government authorities in order to respond more effectively and efficiently to the public needs by: “promoting good governance, determining appropriate and cost effective Local Government Authorities organizational structure, improving management finances within the Local Government Authorities, improving the accountability and efficiency of human resource use, and to put in place the legal framework for implementation of the reform so as to improve quality access and equitable delivery of public service, particularly to the poor”. The program was basically aiming at giving more power to the people, to competently participate in the planning and implementation of development programs within their respective areas and generally throughout the country.
In carrying out these responsibilities, Local Government Authorities receives funds from three main sources; own revenue through tax collection, central government transfers and development aid (Fjeldstad, 2003). Also, user charges and various forms of self-help activities contribute to the running and maintenance of public services. Collected funds are used to finance different projects for development of the society. Decentralization of funds collection and disbursement required an efficient and effective management to ensure the proper allocation of funds. This brought about the need for internal audit services to serve as the “eyes and ears” of management within the Local government Authorities in order to evaluate not only the efficiency of work performed for local authorities but also the honesty of its employees (Bailey, Gramling and Ramamoorti, 2003; Mautz, 1964). The Audit functions have become an integral part of the government financial management and instrument for improving performance in the public sector including Local Government Sector.

The need for good governance and accountability has compelled government to demonstrate a stronger sense of responsibility in the use of public funds and efficiency in the service delivery. In 1985 there was a survey which was conducted in 2000 companies, Local Authorities, government departments and public sector organization by the Institute of Internal Auditors in UK ascertain the ‘state of art’ of internal auditors (Chambers, 1988). The main impetus in the growth of internal auditing appear to have been associated with times of economic restraints when managements, having less opportunity to increase profits by increasing sales, have sought to do so by controlling costs. It is probable that internal auditing has been seen as an effective agent for this purpose. Times of economic constraints are also times when the community presses for greater accountability.

The internal auditing function is now generally recognized in most sizeable firms as an indispensable aid to management in achieving effective control. It has vital role in appraising overall i.e., both financial and operational, conformance to firms policies and in evaluating the efficiency of financial operations (Johnson and Brasseaux,
1965). The growth of internal audit over period has witnessed a change in concept from the tradition clerk engaged in error detection to an independent appraisal activity devoted primarily to managerial control.

Experience shows that the rapid development of internal auditing within this period might be traced in terms of increasing number of corporation having full-fledged internal auditing departments, or in terms of the number of Certified Public Accountants who left public practice for supervisory position in this new field of accounting. In Tanzania, local government authorities internal audit cadre has been established under the Local Government Finance Act No.9 of 1982. Although this unit has been established in past two decades, it has been ineffective in operating in local government. As a result of this it has led to poor financial performance on these Local Government Authorities.

1.2 Statement of the Problem

The Government of Tanzania has over the past decades persistently endeavoured to improve its systems and practices of public expenditure management in both Central and Local Government. This is due to the fact that problems of ineffective financial management are not only in the Central Government but also within Local Government Authorities. For instance, it was noticed in the year 2000 that 65% received adverse audit report and only 35% received clean audit reports. Similarly, the 2003 National Audit Office report shows that 45% of the councils received adverse report while 55% received clean audit report. Furthermore, CAG’s report that ended 30th June 2009, pointed out some irregularities caused within Local Government which included, among other things, poor revenue collection, non-response to outstanding matters, and payments made without documentation. Due to this fact, CAG in his executive summary spotted among other things, poor performance by the internal auditors to be among the major causes of failure of Local government authorities in managing their finances accordingly. Similarly, the 2002 Public Expenditure Review (PER) on revenue source and expenditure in Local Government Authorities identified poor internal audit services as one of the factors
behind poor performance in financial management of LGAs. From this juncture, one can raise a question on the effectiveness of internal audit departments within LGAs in checking the compliance of principles, procedures and guidelines are adhered to. This question is what motivated the researcher to conduct this study.

Research Objectives

1.3.1 Main Objectives
The main objective of this study was to assess the role of internal audit department in managing finances in Local Government Authorities in Tanzania with a case study of Kinondoni Municipal Council in Dar es Salaam.

1.3.2 Specific Objectives
To examine factors affecting the performance of internal audit in the Local Government Authorities.
To examine the extent to which internal audit reports are valued and utilized by the management and other stakeholders within the LGA.
To explore the extent to which the management of LGA is supportive to internal Auditors.

1.4 Research Questions
The study was guided by the following questions:
What are the factors affecting internal auditors in Kinondoni Municipal Council?
To what extent do internal audit reports valued and utilized by the LGA’s management and stakeholders?
To what extent is the LGA’s management supportive to internal auditors in pursuing their responsibilities?
What are the possible measures to improve effectiveness of internal audits in Kinondoni Municipal council

1.5 Significance of the study
This study provides key information in terms of recommendations and suggestions that will be useful in improving internal audit departments within LGAs.
The findings add knowledge to the understanding of the internal auditing performance on its relevance to internal auditing stakeholders and enable society at large to take stock of development on this field.
Lastly, the study will serve as a reference to other researchers who intend to conduct similar studies in the future.

1.6 Scope/Limitation of the study
In a course of undertaking this study, the researcher encountered the following limitations:
Lack of willingness from some of the respondents in responding to questions, since the study was seen as an assessment of their ability to perform. With this, the researcher had to tell the respondent the research will solely be used for academic purposes only, also to ensure participation, the researcher emphasized on anonymity of the respondents so as to make them more willing to participate in the research.
Given that time set by the University was short, the time factor was a major issue which limited the researcher to come out with the best he could for this study. With this in mind, the researcher had to prepare a special timetable which had all the activities arranged in it, hence made it easier for the researcher to track all the activities and be sure on their timing.
Transfer of the researcher was also another limitation. During the study the researcher was transferred to Mbinga District from Kinondoni hence this situation made data collection hard for the researcher who had to have frequent visit to Dar es Salaam, so as to complete the whole process of data collection. With this in mind, the researcher had to set appointments with the respondents so as to enable him to have few visits to Dar es Salaam.
But despite all these limitations, the researcher managed to overcome them and hence come up with the results that are contained in this report.

1.7 Organization of the study

This dissertation is divided into four chapters. Chapter one which is introduction presents general information of the Background of the study. Chapter two which is literature review contains the examination of various written sources that have been written regarding Internal auditing in local government. Chapter three which is the research methodology describes the various methods that were employed in data retrieval, processing and analysis. Chapter four which is Research Results, Analysis and Discussion presents findings regarding effectiveness of internal auditors in local government and its analysis according to study objectives. Lastly, Chapter five which is Summary Conclusions and Recommendations presents the summary of the general study, then the conclusion which focuses on the study objectives and finally recommendations and conclusion.
CHAPTER TWO:
LITERATURE REVIEW

2.0 Introduction

This chapter aims at incorporating other scholars’ ideas to the researcher’s study. The chapter starts by defining several key terms that have been used in the study. This is then followed by a theoretical ground that set forth by the researcher. After that, the researcher reviews similar studies that have been conducted by different scholars. The chapter concludes by indicating the literature gap, which serves as a reason to why the researcher opted to conduct this study.

2.1 Theoretical Literature Review

Financial Management and Local Government in Tanzania

As a matter of fact, there should be a critical thinking on financial aspects of the local authorities or government. This is because there is no much evidence that local governments will always exercise the state granted powers for the effective financial management and financial gains that has to be evidenced through delivery of adequate public services (Wallis, 1963).

In Tanzania, several studies suggest that despite having various sources of income for Local Government Institutions, the main source remains the central Government Grants, donations and other external sources (Ngware 1994; Semboja 1991). It is further estimated that despite all these sources of revenue, the Local Government Institution still experience a wide gap between estimated collections and actual collections (Semboja and Therkidsen, 1992). This suggests incoherence between planning and budgeting on one hand and targets or goals on the other hand; further
this might be taken to connote unrealistic budgeting systems. As a net result councils in Tanzania have continually failed to meet the revenue-estimated targets.

Local Government Institutions should be a product of the local people’s initiatives in order for them to command autonomy and therefore function efficiently. These products should come around through various ways, but either through traditional cognition or through referendum to mention a few, and this is after people have identified their common objective, interests and problem and plan to tackle and achieve the intended results. It is unfortunate to note that in Tanzania, Local Government Institutions were established by the Central Government through parliamentary bills. In the same manner, the granting of power on financial matters, including the revenue collection, was discretionary approached by the Central Government; in such a manner as one of the analyst puts it, that all juicy and easy to tap sources were transferred to the Central Government Ministries leaving the Local Government with revenues sources which were hard to tap and which created direct confrontation with the people they were supposed to serve (Katare, 2000). Due to this, internal auditors were established so as to plan for the small amount of available resources and control the finances of these Authorities. But with time, financial problems have continued existing despite the existence of these auditors within the local government offices.

It is from this sense that one observes signals of inconsistency between tax policy of the Local Government and Central Government caused by the failure of internal auditors to balance their resources which has been manifested by the continued dependency of grants and through unattained targets by the Local Government. Hence this study sets to test the effectiveness of internal auditors in managing the finances of local government and use the result to give out a conclusion and means to improve the performance of local government.
There is no direct and explicit definition of an audit in the International Standards on Auditing (ISA). ISA 2006 implicitly defines an audit through stating the objectives of an audit, which is to enable the auditor to express opinion whether the financial statement are prepared, in all materials respects, in accordance with an identified financial reporting framework.

However, the Hayes and Schilder (1998) pointed out that American Accounting Associations (AAA) provide a better and more general definition of auditing. The AAA state:

“An audit is a systematic process of objectively obtaining and evaluating evidence regarding assertion about economic actions and events to ascertain the degree of correspondence between those assertion’s and established criteria and communicating the results to interested users”

International Federation of Accountant (IFAC) (2007) defines an audit as the independent examination of financial statements of related financial information of an entity, with the objective of enabling the auditors express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.

An audit is performed in accordance with auditing guidelines and standards. Currently, an audit of financial statements has to be done in compliance with ISA. However, this can be done internally or externally by an auditor.

Internal Auditing
There has been widespread view of what is internal auditing and its key parts. The differences arise on the aspect of scope, and the role played by internal auditors in their organization (Machura, 2007). This can be identified by means of some main official definition of internal auditing.

The Institute of Internal Auditors (March, 2007) defines internal auditing as an independent, objective assurance and consulting activity designed to add value and
improve an organization’s operation. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management control and governance.

Temu and King’ori (2000), defines internal audit as an independent appraisal function established by the management of an organization for the review of internal control system as a service to the management. It objectively examines, evaluates, and reports on the adequacy of the internal control as a contribution to the proper, economic, efficient and effective use of resources.

Regulation No.33 of the public finance regulations (PFR, 2001 revised in June, 2004) defines internal auditing as an independent appraisal established within a ministry, department, or agency or other reporting unit which operates as a service to the head of the unit involved, of which it controls activity functions by examining and evaluating the adequacy and effectiveness of internal controls in the unit reviewed ad for conducting operational/ value for money audits throughout the unit in order to ensure that proper systems exist throughout time.

Internal audit is an organization function with the duties to assess and evaluate all activities within the organization. This function is very important to provide and support all information in managerial decision making process. Similar with external audit, an internal audit also has to be independent in conducting his/her duties. Internal auditors independence consist of two aspects, internal auditors are expected to make a balanced assessment of all the relevant circumstances and they should not be unduly influenced by their own or others’ interests when forming judgments. The rules of conduct specify that internal auditors:

(i) Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment;

(ii) Shall not accept anything that may impair or be presumed to impair their professional judgment;

(iii) Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
Generally, internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (International Professional Practices Framework (IPPF) 2009).

A brief history of internal auditing

According to Pickett (2004:10), internal auditing has come a long way over the last two or three decades. In the past, internal auditing was seen as a mechanism to double-check the thousands of financial transactions that were posted to the accounts each week. In the 1950s and 60s, it only consisted of basic tests of the accounts with a view to isolating errors and irregularities. Huge standardised auditing work programmes would be prepared that determined the steps that had to be taken to verify figures in the main accounting ledger and feeder systems. In contrast, today’s internal auditor facilitates the development of suitable controls as part of a wider risk strategy, and provides assurances on the reliability of these controls. The move from detailed low-level checks of huge volumes of mainly financial transactions to high-level input into corporate risk strategies has been tremendous.

Forms of Internal Audit

Since at least the 1950s the professional organization the IIA have recognized two main forms of internal audit, the financial audit and the operational audit.

The Financial Audit

A common form of internal audit is the financial audit. This audit involves the investigation of the accuracy and verifiability of the accounting data generated by an organization (IIA Handbook, 1997). This aspect of internal audit, includes the verification of financial data was recognized by the IIA from virtually the time of the formation of the IIA in 1941 as a key function of internal audit (Thurston, 1950).

The Operational Audit

The financial audit is not however the only role of internal audit. In fact as early as 1950, Thurston (1950) considered that internal audit included both a financial aspect and “calling attention (the) inadequacy of physical property and the lack of propriety
in its use.” This is not a financial audit but rather an approach to the start of operational auditing. Other roles include monitoring of internal controls (Thurston, 1950, Arens et al., 2007). By the middle of the 1960s, as well as financial audits, operational audits of various types were seen by the internal auditors as an important aspect of internal auditing worthy of its own set of instructions (Kowalizyk, 1984). In fact, in 1964, Bradford Cadmus, one of the leading members of the IIA (Kowalizyk, 1984) wrote monograph entitled “operational internal audit handbook.” Further developments in the role of audit in the operational area have meant the creation of quality audits (www.asq.org, August, 2013), performance audits (Arens et al., 2007) and compliance audits (Anthony 1968, Arens et al., 2007). Thus internal auditors are involved in a wide range of activities. In fact, in 2003, Leung found that, of 85 internal auditors across various sectors, 87% were involved in design and/or monitoring internal controls while 67% were involved in risk management and 68% in compliance audits of various types. 39% were involved in direct operational audits (Leung, 2003).

Legal Aspects on Audit of the Public sector

The cadre of internal auditing in Tanzania has been established under section 45(1) of the Local Government Finance Act of 1982, (later revised in June, 2004). This section describes internal audit as a statutory function within every Local Government Authority that requires every urban and district council’s accounts to be audited internally by an internal auditor employed by the authority concerned.

General role of Internal Auditor

Organizations have encountered rapid changes in economic complexity, expanded regulatory requirements, and technological advancements in recent years. These changes have given the internal audit function (IAF) a set of expanded opportunities to support management, provide services to other organizational functions, and generate direct reporting links to the audit committee (Hass et al, 2006). According to Cai Chun, (1997) the function of internal audit is a vital and controversial problem in auditing theory and practice worldwide. There has been a widespread view in the western auditing circles that internal audit is an independent appraisal function. (Cai Chun, 1997). Johnson and Brasseaux (1965) identify some
basics objectives of auditing activity as service to management to involve activities such as:
Reviewing and appraising the soundness, adequacy and application of accounting, financial and operating control.
Ascertain the extent of compliance with established policies, plans and procedures.
Ascertain the extent to which company assets are accounted for, and safeguarded from losses and procedures.
Ascertain the reliability of accounting and other data developed with the organization.
Appraising the quality of performance in carrying out assigned responsibilities.

Roles of Internal Auditors in Local Government Authorities

There is a general view held both by the chief executive officers (CEOs) and the internal auditors of those organizations with an internal audit operation that the internal audit function has a broad responsibility to ensure that an organization’s internal controls function properly (Mathews et al. 1993). This responsibility covers the controls designed to manage and provide information on all aspects of the business from the controls over the level of risk in business undertakings through to controls designed to ensure the basic accuracy of financial reports. The role of internal audit is expanding and will continue to do so if professional bodies such as the Institute of Chartered Accountants in Scotland are successful in implementing the suggestion that internal audit be charged with the certification of the accounts, and external audit with a certification that the internal audit function is being properly carried out (McInnes, 1993).

Flesher (1996: 10) suggests that, although the modern work of the internal auditor involves acting at times as a management consultant and auditing for efficiency and effectiveness as much as for financial propriety, such activity has not always been among the internal auditor’s duties. The profession of internal auditing has changed considerably over the past half century. Before 1941, internal auditing was essentially a clerical function with no organisation and no particular standards of conduct. The internal auditing function was essentially an arm of the accounting function. Because much of the record-keeping at that time was performed manually,
Auditors were needed to check the accounting work after it was completed in order to locate errors in posting and footings. Manual processing also made fraud easier. Combining the need for uncovering errors and misappropriations resulted in the internal auditor being little more than a verifier. Today, the internal auditor is accepted as an integral part of the management team. A look at the evolution of internal auditing provides a perspective on the function of internal auditing in today’s world; a function that includes not only financial auditing, but also operational auditing.

Some basic functions of the internal auditor as explained in section 45 of Local Government Finance Act; No 9 of 1982 is as follows;

Preparation of internal audit annual work plans for the approval of Council Director and in collaboration with Council Director.

Have the annual work plans, activity schedules and audit reports sent to the Finance Committee and the National Audit Office (NAO).

Skills that Internal Auditor Should Posses

Chamber et al, ((1988) p.6) explains that among the issued which have a great impact upon the development of internal auditing in the future is the use of specialists in internal auditing, a trend which is already noticeable. The international survey carried out by the Institute of Internal Auditors from 1968 to 1985 show that employment from other disciplines (tax, management, work study) is being practiced by a large number of organizations. Another international survey done in UK in 1983 showed that 23% of the internal auditors employed are computer specialist.

Effectiveness

Generally, effectiveness referred to as meeting objectives, such as producing parts without defects (Elder, et al 2010). Oxford Advance Learners’ Dictionary 2000 defines effective as producing the result that is wanted or intended; producing a successful result.

Mrema, (2008) defines effectiveness as the achievement of goals and objectives using the factor measures provided for determining such achievement. This means
that the effectiveness is the measure of performance of the intended/planned objective. Mwakalinga, (2005) went further pointing out that, “to be effective, the audit function must be staffed with adequate number of qualified personnel appropriate to size of the company, internal auditors must have acknowledged support of top management and the board of directors through its audit committee, and internal audits should be done objectively.”

Ethical Guidelines for Internal Auditors

Compliance with the IIA’s Code of Ethics and Standards is mandatory for those who provide internal auditing services. (Burnaby et al. 2009). As the IIA’s Code of Ethics must be followed by all those that provide internal auditing services, guidance on how to apply the Standards is provided in the IIA’s Practice Advisories which are endorsed and strongly recommended by the IIA.

Independence

The duty of internal auditors clearly requires them to be independent. (Ahmad and Taylor, 2009) The International Standard for the Professional Practices of Internal Auditing (ISPPIA, 2006) defines “independence” in terms of freedom from conditions that threaten objectivity and the appearance of objectivity. The ISPPIA (2006) states that “objectivity” means internal auditors are expected not to subordinate their judgment on audit matters to that of others, especially management. Independence, based on the criterion of objectivity, is pivotal to the internal auditing profession and internal auditors (Mutchler, 2003). Independence is unavoidable for internal auditors (Vanasco, 1994). Internal auditors should not be placed in a position where their independence can be questioned and feel unable to make objective professional judgments (Vanasco, 1994). Ideally, internal auditors must be free to report matters they audit as they are and their reporting activities are not subject to any influences (Sawyer and Dittenhofer, 1996)

It is the essence of auditing - An internal auditor must be independent of both the personnel and operational activities of an organization otherwise the integrity of the auditors opinions, conclusions and recommendation would be suspect. So independence is necessary for the effective achievement of the function and objective of internal audit. This independence is obtained mainly from two characteristics- organisational status and objectivity. (Cai Chun, 1997)
**Organisational Status**

As suggested in the IIA’s statement of responsibilities, the organizational status of the internal auditing function and the support accorded to it by management are major determinants of its range and value. The head of the internal auditing function, therefore, should be responsible to an officer whose authority is sufficient to assure both a broad range of audit coverage and the adequate consideration of an effective action on the audit findings and recommendations. (Cai Chun, 1997) Therefore internal auditors should report to an organisational level above the levels audited. It is very obvious that the higher the organizational level reported to, the greater the range of the potential effectiveness of internal auditors and their functions which is consequently more beneficial to reaching the objectives of internal audit. (Cai Chun, 1997)

**Objectivity**

The IIA’s statement deals with objectivity as follows: Objectivity is essential to audit function. Therefore internal auditors should not develop and install procedures, prepare records or engage in any other activity, which they would normally review and appraise and which could reasonably be construed to compromise the independence of the internal auditor. Determining and recommending standards of control to be applied in the development of the systems and procedures being reviewed need not adversely affect the internal auditor’s objectivity, however. So internal auditors are certainly not simply one of the organisational controls; they must be the control over all other organisational controls. (Cai Chun, 1997). These conditions, if present, can make the internal audit department effective.

(Sawyer and Vinten, 1996) wrote that internal auditors need to be out in front, leading the business units with regards to the internal control system and also focusing on strategic business objectives. The internal auditors also need to establish themselves as vital cogs in their organizations rather than observers who watch from the periphery and wait for events to impact them.

The effectiveness of internal audit can be described but it is difficult to quantify and in the final analysis, effectiveness is determined by the perception of auditees. (Barrett, 1986) In the company environment, management is the most important auditee of the internal audit department since effectiveness of the internal auditing
practice, can be described through the expectations of management with regard to the internal auditing practices. The management will expect the internal auditors to perform the internal auditing practices to a certain level that is complying with the Professional Practice Framework (PPF) since it can be easily described. Compliance with PPF is therefore an indication of the effectiveness of the internal audit department. Most internal audit professionals argue that an effective internal audit function unequivocally correlates with an organizations success in meeting management objectives and whether the internal control system is functioning as intended.

According to Fadzil et al, 2005, Internal auditors are often described as both a business partner and a policemen because of his work as a business partner with client management and also because he acts as an independent reviewer of management. As a business partner, the internal auditor is expected to provide expertise to assist an organisation in meeting its objectives while as a policemen, an internal auditor is often thought of as an adversary looking for flaws.

Effectiveness of Internal control and means of achieving it.

Effectiveness of Internal control

Glance (2006) provided that internal control system refers to “the systems, processes and procedures that local government council establishes in order to ensure that it’s established objectives are met”. In the same vein, internal control system serves as a process that guides an organization towards achieving its established objectives (Jokipii 2010; Vijayakumar & Nagaraja, 2012). Therefore, all government ministries and agencies should improve the effectiveness of internal control system, internal audit function and organization commitment because they improve good governance (Eko & Hariyanto, 2011). Baltaci and Yilmaz (2006) observed that establishing internal control system and audit practices at the local government level has received little or no attention. And without such establishment, detection and control of misconduct in the local government would not be possible. Therefore, it is good for local government to improve the effectiveness of their internal control system in order to enhance the effectiveness of internal audit particularly in Nigeria. Similarly, Baltaci and Yilmaz (2006) discovered some of the world countries that has weak internal control system at their local government level which include; Argentina,
Bosnia, China, Columbia, India-Karnataka State, Indonesia and Philippines. This is similar to the study of (Adeyime, 2012; Kuta, 2008; Kwanbo 2009; Musa, 2012) which also found that local government in Nigeria has weak internal control system, which needed to be improve.

Some of the studies that have been conducted on internal control system are (Aikins 2011; Baltaci & Yilmaz, 2006; Eko & Hariyanto, 2011; Kwanbo, 2009; Nilniyom & Chanthinok, 2011). The studies did not examine the relationship between effective internal control systems with internal audit effectiveness particularly at local government in Tanzania.

**Means of achieving effectiveness of Internal control**

Internal control varies significantly from one organisation to the next, depending on such factors as their size, nature of operations, and objectives. The internal auditor must be interested in the effective performance of the internal control system. According to COSO certain features are essential to satisfactory internal control in almost any large-scale organisation. Internal control of an organization includes five components according to COSO

1. **Control environment;**
   The control environment sets the tone of an organization by influencing the control consciousness of people. It may be viewed as the foundation for the other components of internal control. The control environment consists of a number of elements such as integrity and ethical values, management’s philosophy and operating style, organization structure, human resource policies and practices, the board of directors and audit committee’s involvement, competence of personnel, and assignment of authority and responsibility designed to provide a positive control consciousness within the entity. (Zabihollah Rezaee, 1995).

2. **Risk assessment;**
   According to Zabihollah Rezaee,(1995) Risk assessment requires identification and investigation of both internal and external risks and acceptance of prudent business risk in achieving an entity’s objectives. Risk assessment assists management and internal auditors to be in control. Being in control requires sustaining the ability to identify, understand and react in a timely manner to events, conditions, challenges,
opportunities and risks pertaining to the entity’s operational, financial reporting, and compliance objectives

Control activities;
Control activities are the policies, procedures, and rules that provide reasonable assurance that internal control objectives are carried out properly and risks are being managed effectively. According to Zabihollah Rezaee, (1995) These overlapping control activities are divided into three categories of operating controls, financial information controls, and compliance controls. Operating control activities are directed towards managing and monitoring the entity’s operations.

Information and communication;
The information and communication components of internal control consider information captured and how messages flow through an entity. All people in the entity should receive a clear message from top management that internal control responsibilities must be taken seriously. Personnel affected by an internal control system should clearly understand the relevant aspect of the internal control systems, how they work, and their role and responsibility in the system.

Monitoring.
The monitoring component requires that internal control systems be monitored on both an ongoing and periodic basis to remain effective. Ongoing monitoring is a continuous assessment of various components of the internal control system through proper training and evaluation of personnel, continuous supervision, and implementation of recommendations provided by auditors. Periodic evaluation can supplement ongoing monitoring and should be used on an ad hoc basis. The frequency and scope of periodic evaluation depend on the effectiveness and results of ongoing monitoring as well as the assessment of risks associated with the internal control system. (Zabihollah Rezaee, 1995)

According to COSO, Management should take into consideration these five components of an adequate and effective internal control defined in the COSO report. These interrelated components of internal control must be present and functioning properly in order to have an adequate and effective internal control system (Zabihollah Rezaee, 1995).

Cooperation between Internal and External Auditors
Research in cooperation between internal and external auditors are increased in last few decades (Fowzia, 2010; Mihret & Admassu 2011), effective and efficient integration between the two auditors lead to a higher quality of auditing (Munro & Stewart, 2011). Therefore, such cooperation should play an important role in the aspect of internal audit effectiveness at local level. English dictionary defined cooperation as the act of working or acting together in order to achieve common goals. In this context, internal and external auditors may have several common objectives which serve a basis for their cooperation (Al-Twajry, Brierley & Gwilliam, 2004). Advantages of the cooperation relationship between the two auditors include; fee reduction, improved client-relationship and better understanding by the external auditor of the organization operations. Also, internal audit department can benefit from the knowledge of the external audit concerning other similar issues in term of knowledge and other auditing activities (Fowzia, 2010). Some of the recent studies that examine cooperation between internal and external audit (Desai et al, 2010; Fowzia, 2010; Mihret & Admassu, 2011; Munro & Stewart, 2011). Despite the above studies, future research should look at the impact of cooperation between internal and external audit in developing countries because most of the previous researches on this topic were based on the developed world (Mihret & Admassu, 2011; Munro & Stewart, 2011). Therefore, this study extend the previous studies by examining such relationship at local government in Tanzania.

Theoretical foundation of the study
The theoretical foundation of this study is none but what was provided by the advocates of financial management paradigm. According to this paradigm, ability of the local authority to collect fully its revenue and operate according to the budget depends solely on application of Financial Management Principles, which among all insist on the proper performance by internal auditors. Therefore, under this assumption financial management is a paramount importance for the survival and sustainable growth of Local Government Authorities. Proper financial management by internal auditors assists in measuring performance and capability of providing social services to the people by the local authority. Also it assists to determine the correct amount of revenue to be collected and in one way or another participate fully
in economic development of the people under its jurisdiction. The departures from this paradigm as discussed under proponents of good leaders’ paradigm create a need to investigate the effectiveness internal auditors in financial management in Local Government Authorities. This study investigated the effectiveness of internal auditors in financial management in Local Government Authorities to see whether they are complied with and are effective in performing their duties. In case non-compliance, the study attempted to device what should be done to improve the situation.

Performance Measurement

Performance measurements in internal audit are undoubtedly a crucial topic for practitioners (Ziegenfuss 2000). In this regard, recently performance measurement received reasonable attention in internal auditing because it constitutes one of the most essential managerial functions (Rupsys & Boguslauskas, 2007). Therefore, consideration has to be given in measuring the performance of internal audit, particularly at local government level in order to improve their effectiveness.

In Nigeria, performance of public service whether at Federal, State or Local government is measured with the objective of ensuring efficiency in the government activities (Dogarawa, 2011). And well-structured performance measurement system could be used toward improving organizations strategic goals effectively (Kaplan, & Norton, 1996).

Performance measurement refers to the process of determining the extent level of achievement of establish objective by internal auditors. It’s important to consider performance measurement of internal auditors in order to determine their effectiveness (Feizizadeh, 2012). However, Amirkhanyan (2011) emphasize that some performance measures are more effective than others. This indicates that performance measurement varies even in term of effectiveness. Some of the recent studies that have been conducted on performance measurement are; (Amirkhanyan, 2011; Odhiambo et al, 2012; Dogarawa, 2011; Rupsys & Boguslauskas, 2007). Therefore, it would be importance to conduct a research on performance measurement in the public sector (Buhovac & Groff, 2012). In view of this, this study extends previous studies by examining the relationship between performance
measurement and internal audit effectiveness particularly at local government in Tanzania.

Challenge for internal auditors

Internal audit should be an independence and objective function. However, this independence can be compromised, particularly where reporting lines are through operational areas which they are required to review and report on. The ability to function with independence has been a long-standing challenge to internal auditors and their profession – a challenge that has received renewed attention due to the rise of corporate governance (Ahmad and Taylor, 2009).

The fundamental positioning of the role of internal auditors, it is contended, creates a challenge to their ability to function with independence. For instance, the role of internal auditors in providing audit oversight for their organization together with consulting services to management can cause an ongoing conflict. In their audit role, internal auditors must remain independent of management by not subordinating their judgment to management in audit matters. But in their consultative role, they must collaborate with and support management, including accepting the judgment of the audit committee of the board of directors. (Ahmad and Taylor, 2009). Studies have suggested that the incompatibility between the internal auditor’s “audit oversight role” and “advisory role” is subject to conflict (Reynold, 2000; Cooper and Craig, 1983).

According to Marco et al. (2006) the relationship with the audit committee and board of directors needs to be reinforced and the assurance provided by internal audit should become the best independent and objective assessment in terms of risk management, internal controls and corporate governance. The activities of internal audit will be adapted to the new requirements and evolve with the new legislation and the new challenges of the organization according to the study conducted by Marco et al. (2006). The profile of the internal auditor is evolving in order to meet the broader scope of activities. The profession still needs to become more recognized within the company. The literature indicates changes in the activities performed by internal auditors. The increasing complexity of business transactions, a more dynamic regulator environment and significant advances in information technology,
are developments that have resulted in opportunities and challenges for internal auditors.

EMPIRICAL LITERATURE OF THE STUDY

Several studies have been conducted on the effectiveness of internal audit. For instance, Machura (2007) conducted a research study on the effectiveness of internal auditing in Tanzania Public Sector: Case of selected Ministries, independent departments and agencies. The objective of this research was to identify factors impacting on the effectiveness of internal auditing service in central government. In his findings, Machura (2007) revealed that all ministries, departments and agencies are staffed with personnel who are academically and professionally accountants but are only competent in performing financial audit. However, Machura could not address what should be done to improve the audit performance of these personnel, hence this makes my study of paramount importance.

Lotto (2005) made a research on the effectiveness of internal auditing in Tanzania organization. The main objective was to assess the impact of information technology on internal auditing effectiveness. In conceptualizing his work, Lotto (2005) used the variables he called IT tools such as internet, computer network, audit software, presentation graphic, automated teller machine, electronic fund transfer, electronic data interchange, electronic data processing techniques and electronic working papers. According to Lotto, these IT tools are factors that can enhance internal audit functions such as corporate governance, corporate risk management, and fraud detection and prevention which in turn lead to internal audit effectiveness in terms of cost saving, accuracy in data processing, completeness of data processing, flexibility, reduction of staff required, increased in capacity to process large volume of data and proactive anticipation of problem. In his findings, Lotto revealed further that almost all auditors in organization he studied are professionally accountants and most do not perform computer audit. He, therefore, concluded that internal audit profession in Tanzania lags behind in effective use of IT to support their duties. This study is very important as it discusses the importance of IT in internal auditing so as to make it effective. However, Lotto (2005), to a great extent, focused on the system audit and could not include other factors such as independence, objectivity, competence, scope
of audit, management support etc. which are also important in evaluating the effectiveness of internal audit function. In this essence, this gap makes my study important.

Mwakalinga, (2005) conducted a study on the effectiveness of internal audit functions in development projects in Tanzania with a case of Tanzania Social Action Funds (TASAF). Mwakalinga (2005) found that internal audit function has insufficiently capacity in terms of size and structure. In addition to that, ineffective (weak) internal audit was due to inadequate capacity in the internal audit units and poor management support. Furthermore, the IT knowledge in auditing of computerized accounting system (EPICOR) which is being used by TASAF accounts Officers in accessing the community sub projects in planned time was one of the major challenges faced by internal auditors. Mwakalinga (2005) has brought much contribution to the understanding of the effectiveness of the internal audit function in development projects in Tanzania. However, Mwakalinga (2005) does not address the issue of types of skills that are required to be possessed by the internal audit staffs whether single skilled or multi-skilled since most projects that were undertaken by the TASAF especially phase one were construction in nature and most internal auditors in Local Government Authorities possess accounting knowledge.

Marika and Azzone (2009) conducted a research on internal audit effectiveness: relevant driver of auditees’ satisfaction. Their study was based on a multiple case study and involved 12 Italian organization from different organizations from different industries and different normative context (the analysis tackled listed companies, financial and non-financial service providers) In their findings, they pointed out that there are important drivers that lead to internal audit effectiveness, and classified them as those under the control of internal auditors (competence and professional proficiency of internal auditors, an adequate “promotion” of internal auditees during interventions) and those which are beyond the auditors’ control (resources available to on the audit function in terms of budget and people of the audit team; and, the risk profile of the organization). Also their study investigated the perceived value of the internal auditors by the service of auditors on monitoring
compliance with company’s procedures, through a checklist approach. The researchers also revealed that the auditors appeared to have some competencies related to auditing, their knowledge of business processes is more limited as this caused by the recruitment policies of the three companies studied. In the three companies, most of new hired people are recruited immediately after the university (economics or law). In this way, the internal auditors have to develop competencies about business processes by auditing them, which actually limit, at least in the first stage of their career, their possible contribution to the improvement of business processes.

Marika and Azzone (2009) has brought contribution to the understanding of the internal audit function as it incorporate the multi-skills in audit professional but was done in Italy, which its environment is different from those of Tanzania’ Local Government Authority and even characteristics of institution are different in terms of internal auditing structures and administrative. The internal audit unit of firms studied in Italy consists of the multidisciplinary professions such as economists, lawyers and accountants. Therefore my study tried to incorporate all relevant information that should be used in assessing the factors affecting the effectiveness of internal audit function in Local Government Authorities.

Research Gaps from Literature
From the literature review, it can be argued that various studies have been conducted on effectiveness in internal auditing, but some of these studies were done in different environment in terms of geographical location and different environment of the institution where researches were undertaken. A few studies that were done in related topic were not exhaustive hence more is still needed to be done so as to gain wide understanding of the field. The main area left by these studies, is how these internal auditors are effective in managing finance problems in the Local Government Authorities. The aim being to see if the internal auditors can contribute to proper management of local government finances and reduce the financial management problems that are affecting these authorities. From this perspective, the researcher
conducted his study on the internal auditing, but the focus was on how effective internal auditors are in managing finances in local government authorities.

Conceptual Framework

The conceptual framework developed by the researcher describes some important variables that contribute to effectiveness of internal auditors in managing finances by summarizing among many variable so as to fit for the sake of this study, hence effective internal audit in financial management must adhere to principles such as independence, Impartiality, professional competence, scope of audit activity, full support by management and permanency and continuity of internal audit function.

Independence

The term internal auditor independence has been defined by Peter (2003) as, objectivity or independence of mind essential for the exercise of professional judgment. The significance of independence to internal auditor is to facilitate and deliver their studies without fear and report on all aspects required by law, regulations and internal auditing standards. In this essence, internal audit should be seen independent functioning unit without interference from top management in discharging its duties. The internal audit has to set out its objectives and explain alternative ways of accomplishing them. This acts as working tool and guidance to implementing department work plan. It also acts as a means of communication, what stakeholders should expect from internal audit. Internal auditors will be trying to achieve set goals and by doing so will add value to operations in the organization.

Impartiality

The term impartiality or objectivity has been defined by the Institute of Internal Auditor (2006) as an independent mental attitude which internal auditors have to perform audits in a manner that they have an honest belief in their work product and that no significant quality compromises are made. Therefore the objectivity of auditors should be such that judgment is not subordinated to that of others nor compromised by any reasonable bias on their part.

Professional competence
The internal audit department should be staffed with people who have appropriate professional qualification, have relevant skills and experience and multi-skilled to discharge their responsibilities. The auditor’s report is essential and acts as a means of communicating audit findings to stakeholders so as they can be aware and take necessary steps to correct observed irregularities. Apart from that, the report can serve as a motivating factor to department which adhere to organization policies and procedures.

Scope of audit activity
The internal audit carries a wide range of activities within the organization, hence in order to avoid duplication of efforts; its scope has to be distinctly defined. The Department has to be explicitly state what areas define the mandate. Clarity reduces ambiguity on not only role but also sets clear expected contribution.

Full Management support to internal auditors
The management of Local Government Authority has to support the internal audit in terms of financial, human resource, and facilities to make the effective and operate smoothly in managing finances. Deliberate efforts have to be taken to build necessary capacity and ensure that internal audit unit effectively discharges its functions. The variables explained in the conceptual framework above were used as a guide through gaining the deep insight of this study.

Conceptual Framework

<table>
<thead>
<tr>
<th>Independence</th>
<th>Professional Competence</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Of activity they audit</td>
<td>• Continue Profession Education</td>
</tr>
<tr>
<td>• Carry work freely and objectively (within laws, regulations, procedures, standards)</td>
<td>• Relevant skill and experience</td>
</tr>
<tr>
<td>• In mental state</td>
<td>• Multi-skilled</td>
</tr>
<tr>
<td>• Level of reporting</td>
<td></td>
</tr>
</tbody>
</table>
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

Research methodology is a way to systematically solve the research problem (Kothari: 2004:8). This chapter presents the methods and techniques used in collecting and analysing data for this study. It is also in this section that the study area, study population, sampling design and sample population of the study are described. The research used both qualitative and quantitative methods for better and reliable results. Qualitative method was applied where views and explanations
demanded as in interview while quantitative method was applied in data quantification and presentation.

3.1 Research Design
This research employed descriptive research design. The major purpose of descriptive research is to describe state of affairs as they exist. Kerlinger (1969) points out that descriptive studies are not only restricted to fact findings, but may often result in the formulation of important principles of knowledge and solutions to significant problems. They are more than just a collection of data; they involve measurement, classification, analysis, comparison and interpretation of data. Orudho and Kombo (2002) argue that this form of research design can be used when collecting information about people’s attitudes, opinions, habits or any of the variety of education or social issues. This research aimed at describing actual state of Internal Auditor performance in Local Government Authority’s financial management. Also the researcher was interested in explaining the extent to which Financial Management Principles are effectively followed by internal Auditors in handling finances in Local Government Authorities by taking Kinondoni Municipality as a case study.

3.2 Population of the Study
Population refers to a large group of people possessing one or more characteristics in common on which a research study focuses (Creswell, 1994). The population of study is defined as a group of subjects from whom the researcher expects to draw conclusions about the research topic (Kothari, 2004). This study was conducted in Kinondoni Municipality. The targeted population included people who are working in Kinondoni Municipality and those from the National Audit Offices and Municipal Internal Audit offices.

3.3 Sample, Sample Size and Sampling Procedures
A sample is a small group of subjects drawn from the population in which researcher is interested in gaining information and drawing conclusions about the universe (Kothari, 2004). Sample size is a part of the population selected to represent the
whole population, it enables the researcher to achieve objectives with reduced resources. In this research, a sample of 80 respondents was selected for interview and questionnaires elected from Kinondoni Municipality. The sample included the executive’s staffs from the internal audit sections and the heads of departments from Local Government Authorities, few representatives of audit committees and officials from the National Audit Office.

Sampling procedures involve the techniques to which the sample will be drawn from the population. The study used purposive and stratified random sampling techniques. Purposive sampling technique was used in areas where the researcher wanted to collect particular information from particular group; in this case, the executive’s staffs from the internal audit sections, representatives of audit committees and officials from the National Audit Office were selected using this sampling technique. This was because there were to be selected out of those with good knowledge of internal auditors and their role in financial management problem. Stratified random sampling technique was also used to select people that have a relation and further information on the research topic.

3.4 Data Collection Methods

Data collection refers to gathering specific information to serve or prove some facts. In data collection methods a researcher must have a clear vision of the instrument to be applied, the respondent and the selected area. Data collection is important in research as it allows for dissemination of accurate information and development of meaningful programmes (Kombo and Tromp, 2006). Both primary and secondary data were collected for this study. Kothari (2004) defines primary data as those data which are collected afresh and for the first time, and thus happen to be original in character while secondary data are those data which have already been collected by someone else and which have already been passed through the statistical process.

Secondary data was collected through a review of different literature that contained information necessary for this study while Primary data was collected directly from the field through different data collection tools.
3.4.1 Interviews
In this study face to face interviews were administered to key informants. Interview is one of the primary data collection techniques for gathering data in qualitative methodologies (Coopers and Schindeler, 2006). It involves the presentation of verbal-stimuli and reply in terms of oral-verbal respondents (Kothari, 2004). This method was employed through in depth interviews with the targeted respondents. The researcher used a mixture of structured interview (as it is easy to compare one respondent to another) and unstructured interview (due to its flexibility and great freedom it provides to respondents to ask, in case of need, supplementary or omit questions depending on the situation) (Kothari, 2004). Both open and closed ended questions were used. Open ended questions were designed specifically to give respondents more rooms to provide their views and opinions concerning the issue at hand, while closed ended questions were meant to guide the researcher in keeping track of the main issues to be investigated. Interviews were conducted to executive’s staffs from the internal audit sections, head of departments from Local Government Authorities, few representatives of audit committees and officials from the National Audit Office and other informative people. A total number of 40 people were selected for interviews.

3.4.3 Questionnaires
Questionnaires were developed and administered to various levels and it included a mixture of closed and open ended questions. Closed ended questions were in the form of multiple choices and respondents were asked to put a tick against the answer of their selection, while for open ended questions, the respondents were required to fill in the empty spaces so as to give their recommendations, feelings, opinions and experiences.

3.4.4 Secondary Data
The secondary data was collected through reviews of relevant documents. Documentary secondary data included written documents such as notices, correspondences, minutes of meetings, reports to stakeholders, transcript of speeches, and administrative and public records available as well as non-written documents (such as video recordings, pictures, films and television programmes)
The collection of documentary secondary data included reviewing past reports/studies on internal auditing worldwide, reports and publications, books, various trade journals, periodicals, newspaper’s articles and internet search. The documentary secondary data was applied to triangulate findings based on primary data collected through questionnaires and interviews.

3.5 Data analysis Methods

Data analysis usually involves reducing accumulated data to manageable size, developing summaries, looking for patterns and applying statistical techniques (Cooper and Schindler, 2006). In essence, data analysis and interpretation helps the researcher to tackle the research problem, derive conclusions and eventually suggest possible policy implications and actions in useful manner. The data collected either primary or secondary, needs to be processed because analyzed information is the one that is used for decision making rather than the raw data. Data collected through questionnaires was edited, coded, summarized, classified, tabulated and finally analyzed by using Statistical Package for Social Science. SPSS was preferred as it provides a researcher with a broader range of choice in selecting variable options at different analysis stages.
CHAPTER FOUR
RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

4.0 Introduction
This chapter presents findings regarding the effectiveness of internal auditors in Kinondoni and its analysis according to study objectives. It starts by giving out the demographic characteristics of respondent involved in the research, and then from there, it gives out the operational independence and management support to internal auditors. Also, it provides results of the competence of internal auditors in terms of education and training acquired by these auditors. Lastly, it elucidates the problems that are currently facing internal auditors when performing their duties hence hindering their effective performance in the Local Government Authority.

4.1 Characteristics of the Respondents

4.1.1 Respondent Age Group
Age composition of the respondent entails the well-being and succession of responsibilities in the organization. Each organization, as assumed to be going concerns, need to have good combination of power of varying ages. From the respondents, it was established that; 44.90 percent are 30-40 years old, 30.61 percent are 40-50 years old, 14.29 percent are 50-60 years old and 10.20 percent are 20-30 years old. Clearly, the respondents who are 40 years are the majority and below account for 55.10 percent (44.90 plus 10.20 percent) and thus those aged above 40 years account for 44.90 percent (30.61 plus 14.29). This age composition is not bad for Local Government Authorities and for the execution of duties. With large percentage of the respondents being older than 30 years, this gave the researcher an idea that the responses will be mostly from professionals who have been in the field for long time hence provide information which is essential and important in improving the practice of auditors in Local Government Authorities.

4.1.2 Gender of the Respondents
Among the on-going struggles in the world is gender equality and equity. Local Government Authorities are not exceptional in ensuring gender equity and equality in
almost all professions. As it can be observed in this study, majority of the respondents are male respondents, 71.43 percent and female respondents account for the remaining 28.57 percent. The gap between male and female employees in the Local Government Authorities is large and alerts the responsible person to work hard in reducing it by promoting female employees to take posts in the Local Government Authority, though not by favouritism that jeopardizes professionalism. Although this scenario does not have direct implication with the study objectives, it was just inquired to see the adherence to gender balance as how different human organization champions to ensure gender balance in each and every aspect. Also in terms of result given, there was no observable disparity between the male and female respondents. In this all people seemed to be aware and well equipped with required information to enable them perform their duties.

Basically, there was no observable difference in terms of responses from male and female respondents, both respondents seemed to be aware of the topic in question and they were very confident responding to the inquired demands.

4.1.3 Respondent Work Experience

Working experience adds value to professionalism and workers competence. Under normal conditions it is believed that, as one practices something for a long period of time, they become more efficient. Given the fact that the government and its institution provides one year probation period for new hires, majority of the respondents were already confirmed to their position thus they are deemed fit to command their tasks. Basically, with large percentage working in the area for more than a year, data generated from them is essentially informative; firstly due to the experience they have as they have served for the offices for a number of years. They also are quite aware of different important items that are deficient and needed to enable the internal auditors be effective. In this research, the researcher attempted to consult many people with three and above years’ experience in the office. The aim was to obtain more information on different aspects that can only be explained by people with more experience in such office. From the respondents of this study, 26 (32.5 percent) who are majority have work experience of 2-5 years, followed by 20 (25 percent), with over 10 years working experience then 13 (16.25 percent), have 1-2 years working experience. There are also 11 (13.75 percent) who have less than
one year working experience and lastly 10 (12.5 percent) have 5-10 years working experience.

Majority of the respondents provided information out of knowledge of the issue, and in this, the researcher confirms that information provided in this study can be useful if it is appropriate as the reason being the information is generated from people with experience in the auditing field.

![Respondent's working Experience](image)

Figure 4.1: Respondent working experience

### 4.1.4 Respondents’ Level of Education

Experience without proper professional foundation cannot make one a real expert. Education level of the respondents was diagnosed to bring to light the adequacy of education to these people involved in auditing Local Government Authorities directly and indirectly. As shown in the table below, respondents with Post Graduate Diplomas or Master Degrees account for 30.61 percent followed by those with Bachelor Degrees (28.57 percent), Advanced Diplomas account for 22.45 percent and Diploma and Certificate holders account for 18.54 percent and majority of those with Post Graduate Diploma or Master Degrees are Heads of Department. In general terms, the respondents have good level of education to properly be involved in this study.
<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Number of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma &amp; Certificate Degree</td>
<td>15</td>
<td>18.75</td>
</tr>
<tr>
<td>Advance Diploma</td>
<td>18</td>
<td>22.5</td>
</tr>
<tr>
<td>First Degree</td>
<td>23</td>
<td>28.75</td>
</tr>
<tr>
<td>Master Degree/Post Graduate</td>
<td>24</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 4.1 Depicting respondents level of education

4.2. Factors Influencing Performance of Internal Auditing

The researcher identified factors that hinder effectiveness performance of internal auditors. To do so, the researcher aimed at covering the specific objective of the research one by one so as to come up with reasons which will be able to significantly provide answers for the research topic. The researcher investigated several factors affecting the performance of internal Audit in the Local Government Authorities. The factors that were taken by researcher were those which affected issues like auditor’s independence, qualifications, competence, cooperation from others, access to information, incentives, experience, sufficient staffs and multidisciplinary training and development.

4.2.1. Operational Independence and Management of Internal Auditors

In performing any activity, independence of making decision without any interference is considered as a key aspect to achieve the intended objective. Operational independence of internal auditors means the ability of internal auditors performing their activities without being interfered or intimated by other members in the council. Without interference the internal auditors can perform most of their function effectively but with interference majority of their activities might be done
under the influence of someone or through pressure hence leading to poor performance of the department in general.

Through interviews, the researcher asked the respondents to give their opinion concerning the independence of internal auditors in conducting their audit function in the council. The aims of assessing this was to see if the internal auditors operates freely without facing any problem, or being interfered or intimidated to achieve certain results. The assumption was that, in order for internal auditors to be effective there must be minimal or absence of interventions from other departments or the management, and the internal auditor must be valued in terms of their opinion and suggestion. From the study conducted, the results of this were as follows;

<table>
<thead>
<tr>
<th>Factor</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The internal audit department operates without being intimidated by management within the municipal</td>
<td>56.1%</td>
<td>12.2%</td>
<td>31.7%</td>
</tr>
<tr>
<td>The head of internal audit reports directly to the accounting officer on units plans and funding</td>
<td>95.2%</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Internal audit are guided by clear audit plan</td>
<td>31.7%</td>
<td>39.1%</td>
<td>29.2%</td>
</tr>
<tr>
<td>Are the internal auditor used to corporate finance</td>
<td>36.6%</td>
<td>36.6%</td>
<td>26.8%</td>
</tr>
</tbody>
</table>
Internal auditors have unbiased attitude and avoid conflict of interest within council

<table>
<thead>
<tr>
<th></th>
<th>46.3%</th>
<th>36.6%</th>
<th>17.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>53.2%</td>
<td>25.4%</td>
<td>21.4%</td>
</tr>
</tbody>
</table>

Table 4.2: Operational Independence and Management of Internal Auditors

From the above data, it was realized that, most of the respondents (about 56.1 percent) suggest that the internal audit department operate without intimidation from management. 95.2 percent of them agreed that internal auditors report directly to councils’ Director on plan and finding of audit activities. 39.1 percent of all the respondents were neutral to say whether the audits are governed by clear audit plans or not. Only 36.6 percent of the respondents indicated the presence of a system of rotating the internal audit to audit different areas of the councils operation. Also the researcher was interested in finding out how the internal audit avoids conflict of interest within the council. The results show that 46.3 percent of the respondents agreed that internal audit have unbiased attitude and avoid conflict of interest within the council. In general, in assessing the operational independence and management of internal auditors in Local Government Authority, about 53.2 percent agreed that internal audit operates independently within the council, whereas 21.4 percent disagreed and the remaining 21.4 percent were neutral. This data can be represented diagrammatically as follows;
4.2.2 Internal Auditor’s Competence

Competence is explained as the ability of a person to perform a certain activity well against the required standards. Competence in many areas is usually acquired through experience or trainings. In order to be effective and highly accurate in performing their duties, the internal auditors must be competent in the intended field.

During data collection, the researcher was interested in understanding internal auditor’s competence in performing their duties. Basically, the auditors must be competent in their job so as to be effective. Competence was analysed through asking the respondent to indicate their professional and education qualification level, work experience, and professional training they attended. Furthermore, other respondents such as external auditors, management team members and accountants were also involved in this by inquiring them of giving out their opinion on the adequacy of Internal Auditors capacity to perform internal audit. The Table below presents the summary of the results obtained during data collection.

![Operational Independence and Management of Internal Auditors](image)

Figure 4.2: Depicting operational independence and management of Internal Auditors.
Table 4.3: Presenting the result of internal auditor’s competence

<table>
<thead>
<tr>
<th>Factor</th>
<th>Agree</th>
<th>Strong Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strong Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal auditor attends professional related seminars and training organized by the council of different expertise outside council</td>
<td>8%</td>
<td>16%</td>
<td>14%</td>
<td>39%</td>
<td>23%</td>
</tr>
<tr>
<td>Internal auditor was obtained competitively from labour market</td>
<td>5%</td>
<td>23%</td>
<td>23%</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>The head of internal audit obtains competent advice and assistance from full council and other expertise outside the council</td>
<td>47%</td>
<td>17%</td>
<td>13%</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>Other employee (Head of Departments) appreciate the internal auditors work as a service to their</td>
<td>20%</td>
<td>13%</td>
<td>15%</td>
<td>31%</td>
<td>21%</td>
</tr>
</tbody>
</table>
There is a process in operation whereby experienced staff can mentor less experienced staff in audit or consultancy assignment.

<table>
<thead>
<tr>
<th>Performance</th>
<th>34%</th>
<th>37%</th>
<th>15%</th>
<th>5%</th>
<th>9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal auditor acts more like an advisor in financial matter than an investigator</td>
<td>34%</td>
<td>30%</td>
<td>4%</td>
<td>17%</td>
<td>5%</td>
</tr>
<tr>
<td>Internal audit visits is done at agreed times</td>
<td>48%</td>
<td>30%</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Average</td>
<td>32.3%</td>
<td>23.7%</td>
<td>15.1%</td>
<td>16.9%</td>
<td>12%</td>
</tr>
</tbody>
</table>

About 32.3 percent of the respondents agreed on majority of the questions asked to them. This signifies that 32.3 percent of the respondents were satisfied with the level of competence of the auditors. One important aspect to note is that there was a problem, especially in the training of these auditors. It’s only a small number of the auditors have agreed to have received and attended trainings to improve their knowledge.

More than 65 percent agreed that internal audit is done at agreed times and internal auditors accomplish their duties as stipulated in a work plan. The results revealed also that 15 percent of the respondents were neutral to answer whether the experienced staff mentors less experienced staffs in audit assignment or not, about 58
percent of the respondents confirmed that internal auditors working in the Kinondoni Municipality were obtained competitively from labour market and they use to get advice and competent assistance from full council and other expertise from within and outside the council and usually offer appreciable service to their performance.

Generally, from the research data collected, large percent which is 56 percent agreed that the internal auditors were competent to perform their duties, 28.9 percent disagree arguing that the auditors lacked the competence required to perform their duties and the remaining 15.1 percent were neutral. The important aspect to note here is the dissatisfaction present by 30 percent of the respondents who do not agree with the level of competence the internal auditors possess. This shows that probably some of the internal auditors employed in the Municipal Council do not have sufficient trainings or lack the required training to perform the duties they do. There is a need for the management to improve the competence the internal auditors have either through training or regular seminars.

4.2. 3. Internal Audit Access to Information

Information is considered as to have the power to enable a person fulfil a certain duty in a higher standard. Internal auditors’ access to information simply means the manner in which the internal auditors have the permission or access to important council documents. Importance of having access to these documents is that, the internal auditor can go through various documents such as projects reports and council budgets, so as to come up with a better plan to execute the intended project at the same time minimize the overuse of the council’s resource. Inadequate access to information limits the internal auditor’s ability to perform their duties effectively in the council.

The researcher was interested to find out how the internal auditor access different information in Local Government Authority. This was specifically to see if there is any problem in accessing information or the information was easily accessed by internal auditors. From respondents’ view, internal audit staffs have no problem to access information useful in pursuing audit assignment in Local Government
Authorities. The respondents who strongly agree plus those who agree account for 84.4 percent whereas those who strongly disagreed plus those who disagreed account for 12.5 percent and 3.1 percent were neutral. This situation is recommendable and Local Government Authority should strongly enhance the situation to eradicate the situation where the internal audit staffs are denied to access certain information for any reason.

4.2.4 Extent of Management Support to Internal Auditors

It is believed that, the management of Local Government Authorities has to support the internal audit in terms of financial, human resources and facilities to make it effective and to operate smoothly. In order to evaluate if the internal auditors are effective it is necessary to understand if they receive reasonable support from the management. It is from this understanding that the researcher was interested in assessing the extent of management support to internal auditors. In doing so, the researcher set out to see the nature of support and the percentage of the support given to these internal auditors in Local Government Authorities.

From the respondent, 84.4 percent of the respondents (i.e. 28.1 percent who strongly agree and 56.3 percent who agree) answered that the top management in Local Government is exemplary in supporting the internal audit in terms of office, working tools and training support. As those who strongly agree accounts for a lower percent (28.1 percent) compared to those who agree (56.3 percent), it can be argued that the Local Government Authority, at a reasonable extent, supports the auditors in pursuing their responsibilities but not to the best extent.

From there, the researcher was engrossed in assessing availability of sufficient resources for internal audit in Local Government Authorities. The results were different compared to those on the support of the management. Internal audit is not exceptional in demanding availability of sufficient resources such as number of employees, office space, funding and working tools like computers. In this aspect, internal auditors were asked to make comments on the
availability of these resources in their Local Government Authorities. In this aspect, no respondent strongly agreed that the resources were sufficient in undertaking audit duties. Only 23.1 percent agree the resources to be sufficient, those who strongly disagree and those who disagreed account for 61.6 percent and 15.4 percent were neutral. These findings reveal that, in general, the resources are not sufficient in Local government authorities to make internal audit units undertake their duties well.

Figure 4.3: A figure showing availability of resources to internal auditors

Important aspect to note here is that, despite the management supporting the internal auditors through offering different materials and moral supports, the amount of resources made available to these internal auditors is small. From the researcher’s observations, this shortage of resources can be one of the causes that hinder effective performance of internal auditors.

4.2.5 The value of Internal Audit Report in the Municipal

Reports are considered as a good way to present an assessment of a department or project, because they contain both weaknesses and strengths of the assessed section. Internal audit reports are essential in a council because they try to highlight the weaknesses in the council’s way of utilizing resources, at the same time giving out
recommendations on how to improve the existing situation. In order for these reports to be effective, they must be valued by the people to whom they are sent to, and in this case the management. To judge the effectiveness of internal auditors in performing their function, one must also understand the way in which the internal auditors’ reports are treated in the council by the management people.

The researcher was interested to see how the management values the reports that were generated by the internal audit department. The expectation was that a high percentage of people working in the municipal council must be aware of the importance of these reports and they must have greater value for them. This means that the recommendations given in these reports must be taken seriously by the staff members. In showing how the management values the internal audit reports, 50 respondents (62.5 percent) which comprised of 33 respondents (41.25 percent) who agreed and the remaining 17 respondents (21.25 percent) who strongly agree that the reports were highly valued, while 27 respondents (33.75 percent) were against this, saying the reports were not valued by the management and the remaining 3 respondents (3.75 percent) were neutral. Below is the diagram showing the percentages graphically:
Although the data shows that 62.5 percent of the respondents agree that the reports are well valued, a remarkable point to note is that, there is still some percentage of the respondents who do not agree. From the group of those who disagree, high percentage of respondents strongly disagree with this meaning that at one point the reports are of value. This needs some improvements, either through awareness raising campaigns or provision of education through seminars. The assumption here is that, if the reports are not well valued, there is a high possibility that there is percentage of the workers in the municipal council who do not value the reports of internal audit which in return affects the effectiveness of internal auditors. Some recommendations made by the Internal Audit Department will not be adhered to by some members of staff hence poor performance of internal auditors.

The researcher asked the respondents to choose among the mentioned factors which among them have been the major obstacle to internal auditor’s effectiveness in handling financial problems in the council. The table below depicts respondents’ responses on main factors affecting internal audit support

Table 4.4: Depicting factors affecting effectiveness of internal auditors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Total</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independence and management of internal audit department</td>
<td>33</td>
<td>41.25</td>
</tr>
<tr>
<td>Top management support</td>
<td>22</td>
<td>27.5</td>
</tr>
<tr>
<td>Proficiency/competence of internal auditors</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>Others</td>
<td>5</td>
<td>6.25</td>
</tr>
</tbody>
</table>
4.3 DISCUSSIONS

In assessing the effectiveness of internal auditors in Local Government Authority, the researcher had several items in mind which he had focused on. Such items included; operational independence and management of Internal Audit Department; top management support to internal audit function; competence of internal auditors themselves; and the way internal audit reports are value by the management. In examining these items, data collected from the respondents explained that there are variations in each item depending on the question in hand. Some aspects were found to be low but essential which in one way or another can be explained to be among the factors that hinder effective performance of the internal auditors.

During data collection, the researcher realized that majority of respondents disagreed that the internal auditors are independent in their respective offices. Among the respondents interviewed, 53 percent disagreed with the question that wanted them to
know the operational independence of internal auditors. This means that lack of operational freedom hinders internal auditors from being effective. Probably some of the management staff members interfere with internal auditors’ function which in return affects their performance. The researcher was then interested in establishing the internal auditors’ competence in performing their required duties. High percent (56%) of the respondents agreed that internal auditors were competent to perform their required duties.

The problem was realized by 44 percent of the respondents either by disagreeing with internal auditors being competent to perform their duties or being neutral. Something must be done to improve the situation. The assumption is that if the internal auditors were competent, at least more than 80 percent of the respondents were supposed to agree with this situation, 56 percent is not enough because it implies that there are some staff members working in the department who are not competent to undertake such functions. In terms of access to information, the researcher was satisfied with the response given by the respondents. High percentage of the respondents agreed that internal auditors have sufficient freedom to access different information without any problem. Research data in this section shows that 84.4 percent of the respondents agreed with the fact that the internal auditors have sufficient access to information while the remaining 15.6 percent of the respondents either disagreed or were neutral.

With the percentage of the respondents agree with the fact that internal auditors have sufficient access to information, the researcher was satisfied that access to information is not a problem in the Municipal Council. However, it also needs to be improved so as to make sure every internal auditor has sufficient access to information. In terms of management value to internal audit report, high percentage of the respondents (62.5 percent) agreed that the reports are well valued while 33.25 percent disagreed saying the reports are not well valued and the remaining 3.75 percent were neutral. Though high percentage agreed that the reports are well valued, more effort is needed to increase the percentage of the members of the management agree with the internal audit reports.
Apart from that, the respondents also identified several challenges that faced internal audit department in Kinondoni Municipal Council. These challenges were thought to be the drawbacks which hinder effective performance of internal audit duties in their respective departments. These challenges are explained below:

Firstly, rapid change of information technology was mentioned by many respondents to be the first major challenge hindering effective performance of internal auditors in Local Government Authority. In this aspect, it was identified that information technology is changing rapidly relative to internal auditors’ capacity to cope with those changes. These rapid changes include the changes in operation software and systems in general which in turn hinder the effective performance of the auditors, just because they are not equipped with required knowledge to handle the improved soft wares and system. Hence, with these rapid changes, there is a need to conduct periodical seminars aiming at impacting the new knowledge to the internal auditors so as to avoid leaving them behind which in turn affects the performance of the auditors.

Secondly, perception of other workers on internal auditors was also among the challenges pointed out by respondents. In this aspect, during interview the respondents pointed out that, there is a problem with the perception of other staffs members towards internal auditors which hinders or stops the internal auditors from hundred percent achieving their goals. In this, the respondents identified that other staffs in Kinondoni Municipal Council tend to hide some important information from internal auditors. By doing so, such workers hinder proper achievement of internal auditors. Hence this wrongly conceived perception creates problems as those departments audited by auditors cannot cooperate fully with the internal auditors hereafter hinder effective performance.

Another challenge was the whole issue of budget. Although this challenge was not explained by many respondents, it was also among the factors which were mentioned to affect the internal auditors’ effectiveness. This research identified that internal audit departments do not control their own budget. This impedes the internal auditors from having their own freedom on their own resource in making functions effective.
such as surprise auditing, and this has been said by about 31.6% of the respondents. So there is a need for internal audit department to have its own budget, so as to manage to undertake some of its activities. Internal auditors cannot perform any activity without asking for a budget from the general office which at times they cannot get hence the department fails to undertake some of their functions.

Also, low support from the management was identified as another challenge facing internal auditors in achieving their objectives. It was realized that the management, at times, does not show cooperation to internal auditors because they tend to be print.. This is due to the perception that some staff members have as they treat auditors as fault finders rather than advisors. Also in this section, it was realized that, the resources set aside for the internal auditors are not sufficient. During data collection, although high percentage of respondents agreed with the management supporting the internal auditors, it was also explained that, the resources set aside for internal auditors were not sufficient. With insufficient resources, it becomes impossible for internal auditors to effectively perform their duties. Hence, this was also identified as a challenge facing the internal auditors which needs to be addressed so as to improve the effectiveness of internal auditors.

Another challenge which was mentioned by respondents was incompetence of some auditors. It was mentioned by some of the respondents that some of the auditors are incompetent hence making the department to seem ineffective. The majority of the management responded that incompetence of internal auditors has been the reason for an ineffective performance of auditing. This result was correlating with Vincent (2006) who argued the effectiveness of internal auditors to depend on several factors which included competent internal audit staffs.
5.0 Introduction
This chapter presents the summary, conclusion and recommendations of the study. It starts by giving out a brief highlight of the research question, objectives and review the key ideas raised in literature review and general discussion of the key findings in relation to the study focus. Then it presents the conclusion which is derived from research findings and data collected then the chapter presents recommendations to
improve the performance of internal auditors in Local Government Authority not only in Kinondoni Municipal Council, but all over Tanzania if faced with the same problem.

5.1 Summary of the Study

This research was conducted in Kinondoni Municipal Council in Dar es Salaam region, and its main objective was to assess the role of internal audit department in managing finances on Local Government Authority. The specific objectives included: To investigate factors affecting the performance of internal Audit in the Local Government Authorities; To examine how the internal audit report are valued by the management and other stakeholders; and To explore the extent to which the management is supportive to internal auditors. These objectives had corresponding research questions which guided the researcher to make a comprehensive analysis on the issue under scrutiny.

Before and during conducting the study, the researcher reviewed literatures, the aim being to get more familiarity with the basic concepts and information that related to the study and thereafter conceptualized the study to get a better understanding of the research topic. Since it was not possible to engage the entire population relating to this study, a sample size was chosen from the heads of department, internal auditors, and personnel from the finance department and audit committee members. The researcher used Simple Random Sampling and Purposive Sampling Techniques to come up with the selected sample. Lastly, data coding was performed, and data analysis was done using the output of SPSS.

The findings of the study were organized based on the research objectives and questions for proper and clear flow of ideas and readers understanding. The factors that influence the effectiveness of internal audit in Local Government Authorities were worked out, and these factors are those which touch issues like auditors’ independence, qualifications, competence, cooperation from other people in the office, access to information, experience, sufficient staffs, and multidisciplinary training and development. These factors had mixed results in a way that factors like
independence was poor in Kinondoni Municipal Council, but issues like experience and access to information were positively recommended by the respondents.

Conclusion
Based on research findings elaborated in chapter four and pertaining research questions, this study concluded that:

Firstly; Top management in Local Government Authorities do interfere with audit unit in pursuing its assignment by influencing the way reports are produced. This habit is strongly unacceptable by the profession and it terminates the motive of having internal auditors in the first place and it affects the efficiency of internal audit negatively. Hence, there is a need to indicate the actual separation of duties and give internal auditors required freedom so as to perform their duties without being interfered by any person in the Local Government Authorities offices which in turn will help internal auditors to perform their jobs effectively without any problem.

Secondly; the internal audit staffs have no problem to access information useful in pursuing audit assignments in the Local Government authorities. Freedom to have access to information positively affects the efficiency to internal audit in Local Government Authorities. This is because, if there is a limitation in accessing particular information in the council, then it becomes impossible for auditors to perform their duties effectively because they will miss some of the information which might be of importance to their activities and performance in general, hence there is a need to improve the internal auditors access to information.

Thirdly; the resources allocated to internal auditors were explained by the respondents to be less than what is required. Although, the Kinondoni Municipal Council is trying to provide the Local Government Authority with resources to perform their duties, still the resources allocated were explained by many to be insufficient. This is because some of the items such as computers and human capital were less than what was required for the internal auditors in the department to perform better in their endeavours.
Fourthly; Local Government Authorities support in training, this is also an important aspect that was identified during data collection process. It was realized that although the internal auditors had sufficient training in their required field, there is a need for them to undergo regular training to update their knowledge. This was emphasized by many respondents, since in the current development rate, many items are improved particularly in information technology aspects which changes every night. Hence in order for internal auditors to perform their duties effective, there must be regular training interval to update their knowledge. To make this works, the Local Government Authority must work hand in hand with the internal auditors so as to know when to help them in acquiring such important trainings. The support from the Local Government Authority can be of different nature such as funds, time or even connections.

The responsibility of improving internal auditors’ competence should not be ignored and left to only management. The internal auditors themselves also, are supposed to put much effort on even covering the cost of attending trainings, seminars or workshop organized by outside expert in order to develop their capacity to match with the organization need and change.

On the issue of honouring the reports by internal audits, a high percentage of the respondents agreed that the internal audit reports are well valued in the council. However, there were also some respondents who disagreed either that the reports are not valued or they were neutral. Since many respondents indicated that the reports are not valued, there is a need to perform deliberate actions which will aim at making sure the reports are honoured in the council. The assumption prompting the researcher to argue this way is, if the reports are not well valued by all members of staff in the council, there is a wide chance that even the recommendations given in these reports are not taken into consideration which in turn leads to internal audit work to be ineffective.

In terms of Management support, the research revealed that high percentage of the respondents agreed that the council supports highly the internal auditors, although it
was later realized that despite the noticeable support from the management, the internal auditors are faced with the problem of shortage of resources. High percentages of the respondents were not satisfied with the quantity of resources allocated for the internal auditors’ department. Hence there is a need for the council to improve the quantity of resources allocated for internal auditors’ department, this is because lack of proper environment and sufficient resources for workers at times affects their performance, and this is not different from internal auditors who also, with this limited resources allocated to them, their performance also falls with time.

5.3 Recommendations

In order to improve internal audit effectiveness in Local Government Authority, and in relation to the above conclusion, a number of recommendations are hereby posed for both internal audit and their management.

5.3.1 Improvement of professional competence of internal Auditors
Professional competence can be improved by internal auditors themselves to take initiatives such as attending workshops and seminars organized by experts such as NBAA especially when need arises in the organization. Also, management should support internal auditors in terms of time and finance and even by organizing those training. Most of the respondents stated that most of internal auditors like to get professional education continuously but they do not like to incur any cost for that. They are just waiting from capacity building funds from the council for their professional development.

5.3.2 Frequent attending to meetings, seminars and audit meetings

Having identified those problems which affect the internal auditors, the respondents were asked to provide suggestions which will help in curbing the problem that face internal auditors in local government authorities. Out of all respondent asked 42.1percent suggested attending professional training to enhance capacity of the auditor will be a proper way to improve the capacity and knowledge of internal auditors in general.
Although research data showed almost all internal auditors have received training, still there is a need to attend more training so as to equip them with the current knowledge of auditing. This will make them competent in their professions and other sectors such as detecting fraud, to advice management hence effective performance of internal auditors. Also with growing rate of changes in technology, internal auditors needs frequent training so as to be able to go hand in hand with the changes that are being brought in their profession.

5.3.3 Improvement of Audit working conditions

In this aspect, respondents focused on how the management will improve to support internal audit departments in order to improve the working environment of internal auditors. Conducive working environment is an important aspect that will make the performance of internal auditors effective. In this aspect, the responses were that there is a need of changes in audit department. Its offices should have enough space to incorporate all audit staffs and other facilities which are necessary and sufficient for internal auditing. Also the central government and local government authority should also workout an incentive package to increase remunerations to internal auditors, in order to improve their living standard and thus reduce the chance of temptation unto their objectivity.

5.3.4 Allocate sufficient funds to internal audit department

Internal auditors need fund and other resources for training as well as for conducting self-audit. Top management should allocate adequate fund to facilitate the service of internal auditors and for training. Apart from having enough fund allocated to internal auditors, also that fund need to be readily available to utilize whenever are required and not waiting for them.

5.3.5 Designing a mechanism which will prevent Local Government Authority Management from interfering with internal auditors
Although this can be considered by many as wastage of resources, there is a need to establish a mechanism or means under which the internal auditors will have protection so as to avoid interferences from the management staffs. The reason for proposing this is due to presence of interference by management staffs to internal auditors’ work which in turn affect the effectiveness of internal auditors in the council in general. So if there is a mechanism, or even punishment for offenders, there is a big possibility the internal auditors will be free to perform their duties without any problem.

5.3.6 Allocate adequate funds to train and develop internal auditors

In this, the top management should also allocate sufficient funds for training and developing internal auditors to match with organization changes and needs. Any changes introduced in the council, has to be oriented to internal auditors too in helping them develop themselves according to organizational change and need by even deciding to cover the required cost for that.

5.4 Suggestions for potential future Research

The study suggests the following areas for further research:

To examine the role of training and motivations in relation to effectiveness of internal auditors

To examine how broad spectrum of organization characteristics and the personal background of internal auditors associate with the quality of internal audit function.

To examine the impact of some factors that affect internal auditor’s effectiveness. Such factors include the number of audit staffs in relation to the size of Local Government Authority, scope of internal audit work in relation to political influence and overall financial capability of Local Government Authority towards the internal audit function.
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APPENDICES

Appendix 1: Interview guide

INTERVIEW APPENDIX

Appendices:

Appendix 1: Questionnaire
Mzumbe University.
The study “THE EFFECTIVENESS OF INTERNAL AUDITORS IN MANAGING FINANCIAL ISSUES IN LOCAL GOVERNMENTS” is carried out as partial fulfillment of the requirement that the student is required to submit a dissertation from the research study to complete master degree in ............it is conducted by........under the supervision of............
The questionnaires aims at collecting information related to internal auditing in Tanzania Local Government Authority. You are kindly requested to spare your valuable minutes to respond to few questions given below, and please feel free and respond correctly. This study is of academic purpose only, hence ethical consideration and secrecy during this study is of high concern. Your response will be treated with high confidentiality and you are no required to write your name.
Please put a tick ( ) at the appropriate answers to the following statement. You are
Your position
Internal office ( )  b) Internal Auditor ( )
Head of Department ( )  d) Finance Department ( )
Audit Committee member ( )  f) External Auditor ( )
Sex
Male ( )  b) Female ( )
Age
20-30 ( )
30-40 ( )
40-50 ( )
50-60 ( )
Please indicate your level of Education
Doctorate (....)
Master’s Degree ( )
Postgraduate Degree ( )
Bachelor’s Degree ( )
Other (Please specify)...................................................
Cooperation
<table>
<thead>
<tr>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal auditors are given support by the employees of audited department</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal auditor are given support by Head of Audited Department</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal auditor are given Support by top management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internal auditor are given support by External Auditors</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Evaluation of operational independence and Management of Internal Audit Department

<table>
<thead>
<tr>
<th>Factor</th>
<th>Agree</th>
<th>Strong agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strong disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The internal audit department operates without being intimidated by management within the municipal

The head of internal audit reports directly to the accounting officer on units plans and funding

Internal audit are guided by clear audit plan

Are the internal auditor used to corporate finance

Internal auditors have unbiased attitude and avoid conflict of interest within council
## Evaluation of Management Support to Internal Audit

<table>
<thead>
<tr>
<th>Factor</th>
<th>Agree</th>
<th>Strong Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strong Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The internal audit get support from top management regarding the budget allocated for training and development of internal auditors</td>
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<td>Management allocates enough facilities to internal auditors</td>
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<tr>
<td>Internal auditors have access to all records, files, minutes and other relevant documents for audit function</td>
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<td>Management has been acting on the recommendation made in internal audit report</td>
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<tr>
<td>Internal audit get sufficient orientation on all important council’s</td>
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</table>
The head of department of internal audit is kept informed of all financial matter in a timely manner

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<tr>
<th>Factor</th>
<th>Agree</th>
<th>Strong Agree</th>
<th>Neutral</th>
<th>disagree</th>
<th>Strong Disagree</th>
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<tbody>
<tr>
<td>Internal auditor attends professional related seminars and training organized by the council of different expertise outside council</td>
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<td>Internal auditor was obtained competitively from labor market</td>
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<tr>
<td>The head of internal audit obtains competent advice and assistance from full council and other expertise outside the council</td>
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<td>Other employee (Head of Departments) appreciate the internal auditors work as a</td>
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There is a process in operation whereby experienced staff can mentor less experienced staff in audit or consultancy assignment.

Internal auditor acts more like advisors in financial matter than investigators.

Internal audit visits is done at agreed times.

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<th>Service to their performance</th>
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</table>

In your opinion, what have generally been the major obstacle to internal auditor’s effectiveness in handling financial problems the council (you can tick more than one bracket)

- Independence and management of internal audit department
- Top management support
- Proficiency/competence of internal auditors
- Others (Please specify)

Please explain…………………………………………………………………………………………

Please explain…………………………………………………………………………………………

What are your recommendations to address the obstacles?

……………………………………………………………………………………………………

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……………………………………………………………………………………………………
Kindly state the challenges you face as an internal auditor in supervising financial matters of the council

What are the suggestions to address the identified challenges?