ASSESSING THE CONTRIBUTION OF OPERATIONAL AUDITING IN IMPROVING THE EFFECTIVENESS OF INTERNAL CONTROL IN LOCAL GOVERNMENT AUTHORITIES OF TANZANIA:

A CASE OF KISARAWE DISTRICT COUNCIL
ASSESSING THE CONTRIBUTION OF OPERATIONAL AUDITING IN IMPROVING THE EFFECTIVENESS OF INTERNAL CONTROL IN LOCAL GOVERNMENT AUTHORITIES OF TANZANIA:
A CASE OF KISARAWE DISTRICT COUNCIL

By
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A Dissertation Submitted in Partial Fulfillment of the Requirements for Award of the Degree of Master of Science in Accounting and Finance (MSc A&F) of Mzumbe University
2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation titled ‘Assessing the Contribution of Operational Auditing in Improving the Effectiveness of Internal Control in Local Government Authorities of Tanzania: A Case of Kisarawe District Council’, in partial fulfillment of the Requirements for Award of the Degree of Master of Science in Accounting and Finance of Mzumbe University.

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I, Sebastian F. Chengula, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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Lastly but not least, I appreciate the patience, encouragement and spiritual support I got from my beloved wife Elither, my daughters Eve and Alice, and their caring sister Lainesy, throughout the course undertaking.
DEDICATION
This dissertation is dedicated to my young brother, the late Fredrick Fabian Chengula who passed away on 13\textsuperscript{th} November, 2011 when I was in semester I of Master of Science in Accounting and Finance of Mzumbe University. May God rest his soul in eternal peace, Amen.
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>CAG</td>
<td>Controller and Auditor General</td>
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<tr>
<td>CPA</td>
<td>Certified Public Accountant</td>
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<tr>
<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
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<td>GMs</td>
<td>General Managers</td>
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<td>IC</td>
<td>Internal Control</td>
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<tr>
<td>IFMS</td>
<td>Integrated Financial Management System</td>
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<tr>
<td>IIA</td>
<td>Institute of Internal Auditors</td>
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<tr>
<td>IPPF</td>
<td>International Professional Practices Framework</td>
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<tr>
<td>IPSAs</td>
<td>International Public Sector Accounting Standards</td>
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<td>IT</td>
<td>Information Technology</td>
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<tr>
<td>KDC</td>
<td>Kisarawe District Council</td>
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<td>LAFM</td>
<td>Local Authority Financial Memorandum</td>
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<td>LGAs</td>
<td>Local Government Authorities</td>
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<td>NAO</td>
<td>National Audit Office</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>URT</td>
<td>United Republic of Tanzania</td>
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<td>VFM</td>
<td>Value for Money</td>
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ABSTRACT

Ineffectiveness of Internal Control (IC) / Internal Control System (ICS) is a problem in recurrence in Local Government Authorities (LGAs) of Tanzania. Though there are a number of both national and international studies that have already been done concerning IC and its implications on different aspects, none seem to have been done specifically to assess the contribution of operational audits in improving the effectiveness of the same in LGAs of Tanzania. As a result, solutions for improving its (IC) effectiveness from one fiscal year to another have not been unveiled. The study, ‘Assessing the Contribution of Operational Auditing in Improving the Effectiveness of Internal Control in Local Government Authorities of Tanzania’, is therefore meant to bridge the gap.

In conducting this study a case of Kisarawe District Council (KDC) was taken, from which, judgmental sampling was used to select respondents amongst the working staff and councilors. In the course of data collection, questionnaires and interviews were used in the collection of primary data, whereas documentary reviews facilitated the collection of secondary data. The analysis of quantitative data obtained through questionnaires was done by using the Statistical Package for Social Sciences (SPSS) computer program. The analysis of qualitative data obtained through interviews was by content.

It was found that no specific stand-alone operational audit is conducted on the KDC’s internal control system, thus causing persistent ineffectiveness of the ICS caused by some weaknesses due to lack of special appraisal for the same. As said by Derakhshannmehr (2012), operational auditing is indeed a viewpoint which identifies the causes of insufficiencies, weaknesses and deficiencies of a system and plans to eliminate them. It is therefore recommended that operational audits should be conducted on the internal control systems in order to assist the Tanzanian LGAs in getting rid of persistently ineffective internal control.
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CHAPTER ONE
INTRODUCTION

1.0 Introduction
This chapter discusses and sets the problem at hand which is an “assessing the contribution of operational auditing in improving the effectiveness of internal control in LGAs of Tanzania”. The chapter contains the historical background of the problem, statement of the problem and the objective of the study. The chapter also contains the research questions, significance of the study, scope and limitations of the study and organization of the study.

1.1 Historical Background of the Organization
The establishment of LGAs in each region, district, urban area and village, is in accordance with article 145 of the Constitution of the United Republic of Tanzania (URT) of 1977, and their functions outlined in article 146 of the same constitution. With the great number of LGAs Tanzania has, it would be difficult for the researcher to use all of them as research areas, the researcher therefore resorted to take KDC as a case study.

Kisarawe district’s borders are the districts of the region in which it is located, Coast, and one region. To the North it is bordered by Kibaha District, to the East by Mkuranga District, to the South by Rufiji District, and to the West by Morogoro Region. The 2012 Tanzania Population and Housing Census show that the population of Kisarawe District is 101,598 (URT, 2013). Kisarawe district covers an area of about 4,464 total square kilometres. Kisarawe was enacted a District Council in 1984 in accordance with the provisions of sections 8 and 9 of the Local Government Act (District Authorities) 1982 (URT, 2007).

1.2 Background of the Study
In recent years, fiscal decentralization programs implemented in many developing countries have given local governments additional service responsibilities and access to more public funding, either in the form of intergovernmental transfers or through
the authority to raise taxes from a wider variety of local sources (Baltaci & Yilmaz, 2006). But expanding their expenditure responsibilities and spending authority without improving public financial management systems have had little impact on service delivery outcomes. Baltaci and Yilmaz (2006) further argued that the absence of effective public financial management systems at both central and local levels has sometimes resulted in fiscal imbalance, weak accountability, political capture, and deterioration in public services. Developing countries have experienced excessive fiscal deficits with their local governments because of such factors as weak local political capacity, lack of internal control and external oversight, and expectation of bailouts when localities borrow beyond their means. Baltaci and Yilmaz (2006) comments that local governments must hold local government officials accountable for results and suggests a contemporary internal control a fit solution for the objective.

However, examples of internal control and audit at the subnational level are rare particularly in developing countries and establishment of internal control and audit practices at the local government level has received little or no attention, even in countries where decentralization programs devolve more responsibilities to local governments.

It is important to note that internal control and audit are not necessarily stand-alone management tools; they can be effective only to the extent that accounting and governance systems operate. Internal control and audit functions should be established and aligned with broader governance reforms such as strategic planning, accounting, budgeting, medium-term expenditure framework, procurement, reporting, external audit, public debt, and asset management.

As far as Tanzania is concerned, the government and other donors disburse a lot of funds to LGAs for the purpose of financing various development projects and programmes. Official information on local government of Tanzania makes it clear that “Local government finance is an important and integral part of the public finances of Mainland Tanzania today. In fact, about one (1) out of every five (5)
shillings spent in the public sector is spent at the local government level. As a result, a sound system of local government internal control is a key factor in assuring the achievement of the goal of public sector providing an enabling environment for economic growth and reducing poverty in line with the National Strategy for Growth and Poverty Reduction 2005, and with Tanzania Vision 2025” (URT, 2011).

In LGAs of Tanzania, ineffective internal control is a problem in recurrence from one fiscal year to another. This can be proved from the annual general reports of the Controller and Auditor General (CAG) on the financial statements of LGAs for fiscal years 2008/2009 to 2010/2011. It has been a common tendency to observe the effectiveness of the same being not in accordance with the expectations of the LGAs themselves and other stakeholders. For example, reports show that there are weak internal controls over salary payments in the LGAs leading into substantial wastage of government funds being paid to ghost and other sorts of workers such as the retired, absconded, terminated or deceased employees, or even having workers being paid frequently than required by having more than one check number. Also, reports show that there is non uniform reporting and its sustainability for all Councils (National Audit Office (NAO), 2010).

Moreover, the reports show that there are inadequate internal controls over councils internal revenue collection characterized by much benefit to collecting agents than the councils due to inappropriate council-agent contracts (NAO, 2010). As regards Information Technology (IT) application controls, there are inadequate physical and logical controls, use of computer programs such as EPICOR which are not compliant to International Public Sector Accounting Standards (IPSAs), and lack of segregation of duties (NAO, 2011).

Regarding the IT general control issues, there are deficiencies such as transactions being processed by the system administrator, inadequate database management controls, unsecured sensitive database files, lack of IT personnel training, absence of segregation of duties review, absence of procedures and training on emergencies, etc (NAO, 2011).
In addition, Use of manual accounting systems contrary to accounting circular No. 1 of 1999/2000 which requires all government transactions to be processed on the Integrated Financial Management System (IFMS). The use of manual accounting systems has been leading into difficult reporting and lack of access controls thus exposing the data to unauthorized changes (NAO, 2011). Ineffective internal control is also revealed by inadequate performance of the internal audit units, key players in monitoring (NAO, 2012), and inadequate performance of the audit committees which implies spreading ineffectiveness in the overall control environment and good governance within the councils (NAO, 2011). Lack of risk management frameworks and practice of risk assessments, thus, making LGAs not in position to respond timely to risks which may have an adverse effect on their current and future operations (NAO, 2012), are also confirming the presence of ineffective internal control.

These reports also show that there is a tendency of non response to the CAG audit recommendations, a situation that lead into recurrence of weaknesses noted during previous audits hence deterring the efforts of improving the effectiveness of internal control environment and ultimately financial management in LGAs. Management establishes an internal control to help it meet its own goals of which there is a certainty that two important goals of all organizations are efficiency and effectiveness. Generally, the reason an organization establishes a system for control is to help meet its own goals (Arens & Loebbecke, 1998).

The persistence of the said problem in LGAs and huge public funds disbursed in LGAs, necessitate the conduct of a study to assess the contribution of operational auditing in improving the effectiveness of internal control in LGAs of Tanzania.

1.3 Statement of the Problem

Among the primary drivers for operational audits in China are language and cultural barriers that prevent China-based General Managers (GMs) from reporting accurate and comprehensive information about on-the-ground operations to a company’s headquarters (Shalgo, 2012). Shalgo (2012) reveals that much of the information reported by GMs is not based on multiple sources, but rather a translation of the
opinions of one local manager or partner. According to Shalgo (2012) developing internal “self improvement cycles” requires an openness to constructive criticism and multidisciplinary intervention that is uncommon among traditional Chinese managers. Shalgo (2012) advocates further that an operational audit can help to fill the informational void and bridge cultural barriers in China to establish checks and balances and strengthen internal control. He says the assessment of internal control systems by use of pure financial or legal audits is insufficient, as these audits rely on data willingly submitted by the audited company. An operational audit is a key to the accuracy of such data in the first place.

Shalgo (2012) emphasizes that operational audits can uncover a variety of behaviours that can dramatically affect a company and will likely not be otherwise uncovered, including: employees who signed perfectly legal labor contracts but are not fulfilling their job description (or, even worse, labor contracts for employees who simply do not exist); production losses visible in the factory but not recorded in the books; company resource usage recorded in the books that does not happen in real life. Additionally, improved interdepartmental communications and improved management confidence are all byproducts of an effective operational audit.

According to the Institute of Cost and Works Accountants of India [ICWAI], 2010: 388) operational audit (value-for-money audit) has been defined as an organized search for ways of improving efficiency and effectiveness. The objective of which is to assist the organization in performing functions more effectively and economically focused on the efficiency and effectiveness of operations. It is also stated to be an early warning system for detection of potentially destructive problems. On the other hand, the financial audit tells where the entity was and where it is on the date of the balance sheet, whereas an operational audit tends to answer the questions as to why the entity is where it is and how it got there. Therefore, Operations Audit is a process to determine ways to improve production. It falls into the category of a management service by evaluating the four functions of management which are: (1) planning, (2) organizing, (3) directing, and (4) controlling. As far as this research is concerned, the controlling function of management is of vital importance.
Based on Shalgo (2012) and ICWAI (2010) integration of operational auditing and internal control, it is obvious that the assessment of effectiveness carried out by internal auditors on the internal control systems of their respective LGAs (URT LGAs Internal Audit Manual, 2005:79), in the course of conducting routine financial audits, cannot suffice to uncover all the causes to ineffectiveness of the later, hence necessitating to conduct a study on the assessment of the impact operational audits have in improving the effectiveness of internal control systems in the Tanzanian LGAs.

If ineffective internal control in the Tanzanian LGAs is left to persist without taking measures for mitigation, there will be some negative implications such as loss of public confidence on the accountability of the officials, such as the District Executive Director (DED), entrusted for taking care of its resources, wastage of resources that could, in the presence of effective internal control, be effectively utilized in accessing the public with social services and infrastructures for development. Also, ineffective internal control systems and therefore failure to achieve preset goals and objective, and misuse of public resources may lead into withdrawal of donors in financing various development projects and programmes.

Since the purpose of an operational audit is to provide a measure of the achievement of an organization toward its goals and objectives, it may address effectiveness of operating procedures and internal controls, performance of individual managers, and other nonfinancial aspects of the operation of an organization, and its outcomes can range from reports recommending improvements in efficiency and effectiveness of current operations, to general suggestions about the organization’s use of resources to provide the greatest long-range benefit to the organization. Therefore, operational auditing reports may contain recommendations for restructuring of departments or divisions, recommendations for training and replacement of personnel, or results of cost-value analyses of internal controls of an organization (Carmichael, et al, 1996).

Therefore having ineffective internal audit and audit committee as seen by CAG reports, then there is a gap that denies the realization of positive effects of
operational auditing on the internal control in the Tanzanian LGAs. This study seeks to assess the impact of operational audits in enhancing effective internal control in the Tanzanian LGAs.

1.4 Objective of the Study
1.4.1 Overall Objective
The overall objective of this study was to assess the contribution of operational auditing in improving the effectiveness of internal control in LGAs of Tanzania.

1.4.2 Specific Objectives
The following were the specific objectives of the study:

(i) To explore methods used in ascertaining the internal control at KDC.

(ii) To assess the extent of reliability of financial reports produced at KDC.

(iii) To assess the effectiveness and efficiency of service provision at KDC.

1.5 Research Questions
The study has been able to answer the following questions:

(i) What methods are used in ascertaining the internal control at KDC?

(ii) What is the extent of reliability of financial reports produced at KDC?

(iii) Are the services provided by KDC effective and efficient?

1.6 Significance of the Study
The study is of great importance because it is carrying findings and recommendations that encourage and support the appropriate practice of operational audits on IC thereby improving the effectiveness of internal controls which means efficient, effective and economic use of resources, and reasonable assurance in the achievement of LGAs’ preset goals and objectives, thus accessing the general public with quality and sustainable social services and infrastructures for development
which means having citizens with high quality livelihood and growth of the national economy.

1.7 Scope and Limitations of the Study
Operational auditing is broad and can therefore be conducted on different areas and aspects where there arise needs of carrying out evaluations for efficiency, economy and effectiveness thereby recommending for improving future performance. This study was focused on assessing the impact of operational audits conducted on IC in improving its effectiveness in the Tanzanian LGAs. The study did not consider other areas of operational audit but only the internal control systems.

The researcher encountered some limitations during the conduct of his study, these includes accessibility of data from the respondents, financial and time. However, any miss-presentation of information in this study remain to be a burden of the researcher and not otherwise.

1.8 Organization of the Study
This study is organized into six chapters, chapter one provides background information of the study, chapter two provides theoretical literature review, empirical and sets the conceptual framework. Chapter three describes the research methodology used to achieve the objectives of the study, chapter four is all about presentation of findings and analysis, chapter five discussions of findings, finally chapter six presents conclusions to the study objectives and recommendations.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
This chapter discusses the literature review both the theoretical and the empirical literature. The chapter begins by discussing the key terms of the study followed by the discussion about the theoretical part of the literature on operational auditing and internal control. After that the chapter discusses the empirical literature and lastly the conceptual framework of the study.

2.1 Definition of Key Terms
2.1.1 Operational Audit
Operational audit can be defined as a more comprehensive activity designed to analyze organizational structure, internal systems, work flow, and managerial performance with an intention of providing a measure of the achievement of an organization toward its goals and objectives, and may address effectiveness of operating procedures and internal controls, performance of individual managers, and other nonfinancial aspects of the operation of an organization (Carmichael, et al 1996).

Gray and Manson (2008) define operational audit as a term used to show that modern internal auditing is concerned with the whole organization and not merely with finance and accounting, hence it audits operations in general, including production, personnel, advertising and research and development. It encompasses both efficiency and effectiveness auditing.

Furthermore, operational audit is a comprehensive examination of an operating unit or a complete examination to evaluate its systems, controls, and performance, as measured by management’s objectives, it focuses on the efficiency, effectiveness, and economy of operations. The operational auditor appraises management’s operating controls and systems over such varied activities as purchasing, data
processing, receiving, shipping, office services, advertising, and engineering (Whittington & Pany, 2008).

Also it is a systematic process of evaluating an organization’s effectiveness, efficiency and economy of operations under management’s control and reporting to appropriate persons the results of the evaluation along with recommendations for improvements (IIA cited in Boynton and Johnson (2006).

2.1.2 Internal Controls

The Committee of Sponsoring Organizations of the Treadway Commission (COSO: 1992) Internal Control – Integrated Framework cited by Whittington and Pany (2010:244) defines internal control as “a process, effected by the entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of the objectives in the categories of: reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations”.

According to the URT LGAs Internal Audit Manual (2005: iii) internal control is referred to as a set of systems operated by the council or unit to ensure that financial and other records are reliable and complete, and that they adhere to management policies, are orderly and efficient in the conduct of the councils or unit’s business, and ensures proper recording and safeguarding of assets and resources.

Spicer and Pegler (1985) define it as the whole system of controls, financial and otherwise, established by management in order to carry on the business of the enterprise in an orderly and efficient manner, ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of the records, and that the individual components of an internal control system are known as “controls” or “internal controls”.

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2.2. Operational Auditing an Overview

Auditors are often called on to express opinions on the reliability of information other than historical financial statements. Some of these services continue to be referred to as audits, while others, particularly some of the newer ones, are called attest engagements (Defliese, et al 1990). Operational auditing is one of those which continue to be referred to as audits and has been used in the past to identify a variety of activities that include evaluating management’s performance, management’s planning and quality of control systems, and specific operating activities and departments. As suggested by its name, this type of auditing pertains to an entity’s nonfinancial operations. It is sometimes referred to as a performance auditing or a management auditing (Boynton and Johnson, 2006).

However, Arens and Loebbecke (1998) emphasize that an audit whose test purpose is to determine the effectiveness or efficiency of any part of an organization should be termed an operational audit. Elder et al. (2010) emphasize further that operational auditing are activities beyond financial auditing carried out by internal auditors, government auditors and Certified Public Accountants (CPAs) with a focus on the organization’s efficiency and effectiveness.

It is important to note that, in the due course of conducting operational audits, auditors do not abandon at all to deal with financial issues, but they may start from there and proceed with evaluations of related operations for efficiency and effectiveness. According to the ICWAI (2010:388) an operational audit is sometimes referred to as an extension of a financial audit.

According to Beale and Bradford (1993) “Operational auditing” has different meanings to different people. However, there are at least three basic elements which are common in definitions given by different authors. The first is to identify areas in which economy, efficiency and effectiveness may be improved, the second is to appraise independently the effectiveness of managers and corporate structure, and the third is to audit non-financial activities.
It is therefore obvious that if one goes through different definitions of operational auditing documented by different authors, he will be in position to witness a variety of inputs in them yet having the same conceptual meaning.

2.2.1 Efficiency, Effectiveness and Economy

Efficiency, effectiveness and economy are aspects that have held importance in most of the explanations of operational auditing concern. It is necessary therefore that brief explanations of their basic meaning are given at this stage as follows:

**Efficiency**

Efficiency means doing things well or smoothly, for instance with good systems which avoid wastage and rework. It is the ratio of actual inputs and actual outputs (Chambers and Rand, 2010). Elder et al. (2010) define efficiency as determining the resources that have been used in achieving specified objectives, and as far as operational auditing is concerned, there must be defined criteria for what is meant by doing things more efficiently before operational auditing can be meaningful. In the URT LGAs Internal Audit Manual (2005), efficiency has been defined as “the ratio between inputs and outputs that provides a relative rather than an absolute measure and that, it is directed towards the production of the greatest useful output from a given level of inputs.

Mathematically,

\[
\text{Efficiency} = \frac{\text{Actual inputs}}{\text{Actual outputs}}
\]

**Effectiveness**

Effectiveness means doing the right things, that is, achieving objectives. It is the ratio of actual outputs to planned outputs, that is, planned objectives (Chambers and Rand, 2010). According to Elder et al. (2010) generally effectiveness refers to meeting objectives, such as producing parts without defects, and in an operational audit for effectiveness, an auditor, for example, might need to assess whether a government agency has met its assigned objective of achieving elevator safety in a city. To determine the agency’s effectiveness, the auditor must establish specific criteria for
elevator safety. For example, is the agency’s objective to inspect all elevators in the city at least once a year achieved? Is the objective to ensure that no fatalities occurred as a result of elevator breakdowns or that no breakdowns occurred achieved? According to the URT LGAs Internal Audit Manual (2005) effectiveness refers to the degree of success in attaining or realizing the objectives. It is primarily concerned with the achievement of programme objectives, both quantitatively and qualitatively.

Mathematically,

\[
\text{Effectiveness} = \frac{\text{Actual output}}{\text{Planned output or objectives}}
\]

**Economy**

Economy means doing them cheap, with for instance, unit costs for labour, materials, etc. being under control. It is the ratio between planned inputs and actual inputs in terms of unit costs of given quality (Chambers and Rand, 2010:16). The URT LGAs Internal Audit Manual (2005: 121) defines economy as “the achievement of a given level of results with the lowest input of resources, which means obtaining inputs of the right quality at the lowest possible cost”.

Mathematically,

\[
\text{Economy} = \frac{\text{Planned inputs}}{\text{Actual inputs}}
\]

### 2.2.2 Objectives of Operational Auditing

Operational auditing identifies opportunities for greater efficiency and economy and for improved effectiveness in carrying out procedures and operations. The operational audit’s basic objective is therefore to acquaint managers and decision makers with better information that helps them in different ways to do improvements in relation to goals and objectives of their organizations (Morse, 1972).

The fact that the purpose of operational auditing is to facilitate managements with informational tools for improving the effectiveness of procedures and operations in their organizations thereby achieving their preset goals and objectives, is also
explained by Elder et al. (2010:823) who say, “operational auditing emphasizes effectiveness and efficiency of procedures and operations, and focuses on improving future performance”.

According to Whittington and Pany (2008) managers at various levels, including the board of directors are the major users of operational audit reports. Through operational auditing, they need to be assured that every component of an organization is working to attain the organization’s goals and objectives. For example, they need the following assurance services from operational audits:

(i) Assessment of the unit’s performance in relation to management’s objectives or other appropriate criteria.

(ii) Assurance that its plans (as set forth in statements of objectives, programs, budgets, and directives) are comprehensive, consistent, and understood at the operating levels.

(iii) Objective information on how well its plans and policies are being carried out in all areas of operations, as well as information on opportunities for improvement in effectiveness, efficiency and economy.

(iv) Information on weaknesses in operating controls, particularly as to possible sources of waste.

(v) Reassurance that all operating reports can be relied on as basis for action.

According to Gunter (2012) operational auditing determines whether or not public funds/resources have been economically, efficiently and effectively managed. It examines and reports on matters related to:

a) The adequacy of the management systems, controls, and practices including those intended to control and safeguard assets and ensure due regard to economy, efficiency and effectiveness

b) The extent to which resources have been managed with due regard to economy and efficiency

c) The extent to which programs, operations or activities of an entity have been effective.
Gunter also emphasizes that operational auditing fulfills the demand for performance and accountability information that is not being provided by information on financial performance and on compliance with authorities, based on two principles. One, public business should be conducted in a way that makes the best possible use of public funds. Two, people who conduct public business should be accountable for the prudent and effective management of the resources entrusted to them.

2.2.3 Operational Auditing and Internal Auditing
The manner in which operational auditing is related with internal auditing is based on the fact that internal audit departments’ responsibilities have grown and matured in recent years. Beale and Bradford (1993) explain this phenomenon by saying the underlying principles of reviewing a business area to ensure management-defined procedures are being followed in an efficient and effective manner have been extended from the financial area to include operational and systems issues.

Khalili et al. (2012) make an emphasis on this concept by saying the focus and scope of many audits in public and private sector in recent years have undergone changes following the reason that financial statements alone do not meet management’s informational needs. The fact is that, managers in public and private sectors look for more information which is useful in evaluation and judgment about quality of operations and operational progresses. Consequently, it has become necessary for organizations to have operational audits whose techniques are of paramount importance in assessing operations’ effectiveness, efficiency and economic saving.

Also, Khalili et al. (2012) insist that operational auditing is one of the internal audit units’ tasks, and that, organizations that for one or more reasons cannot conduct operational audits using their internal auditors, may assign this task to external consulting firms such as CPAs. This justifies the responsibility internal auditors have in conducting operational audits whose reports show the extent of the organization’s success to top management, along with suggestions for improvement of such successes.
In other literatures, the relationship of the two concepts is proved in studying the evolution of internal auditing. It is clarified that operational auditing came into being as a result of internal auditing evolution in which demands by the major Stock Exchanges and the Securities and Exchange Commission (SEC), that management accept more responsibility for reliability of published financial statements, and the growth of corporations into being large and more complex, necessitated the need for extension of the responsibilities of internal auditors beyond financial auditing. It is further made clear that the extended responsibilities include more detailed analysis of internal control, as well as testing of interim and other accounting information.

Also, the extended responsibilities encompass the overall operational policies and procedures, the reports of which being expressed not in dollars, or any other currency units, but in terms of operating factors such as quantities of parts in short supply, adherence to schedules, and quality of the products. The internal audit operational reports of this sort became more relied in operational decisions than those which were more prepared on accounting and financial bases. Therefore the internal auditors’ role of determining whether operating units in the organization follow authorized accounting and financial policies was readily extended to include the determination of whether they follow all the organization’s operating policies, and whether the established policies provide sound and effective control over all operations (Whittington & Pany, 2010).

The functions carried out by internal audit departments in organizations, is another base on which the relationship of the two phenomena can be explained. It is clarified by ICWAI (2010) by saying operational auditing is sometimes referred to as one of the three broad categories of the functions carried out by internal audit department of any organization. The other two are financial auditing and compliance auditing.

Also, the internal auditors’ great occupancy in evaluating organizations’ operational effectiveness and efficiency, explain the close relationship that exists between internal auditing and operational auditing to the extent that some users are applying the two terms almost interchangeably because most of audits performed by internal
auditors have become operational audits. According to Louwers et al. (2008) this is caused by the fact that, the internal auditing activity known as operational auditing refers to auditor’s study of business operations for the purpose of making recommendations about economic and efficient use of resources, effective achievement of business objectives, and compliance with company policies. Louwers et al. (2008) further explain that the goal of operational auditing is therefore to help managers discharge their management responsibilities and improve profitability, and that, operational auditing is included in the definition of internal auditing to the extent that internal auditors consider operational auditing as an integral part of internal auditing.

2.3 Operational Auditing in LGAs
In accordance with the URT LGAs Internal Audit Manual (2005:121), operational auditing in the form of performance audits/reviews which are also referred to as Value for Money Audits, is supposed to be carried out by internal auditors as required by managements of LGAs.

Also, the emphasis of the LGAs’ internal auditors to conduct operational audits is evident in the official definition of internal auditing given in the same manual which defines it as “an independent appraisal activity established within the unit involved, and which controls its activity functions by examining and evaluating the adequacy and effectiveness of internal controls in the council or unit and for conducting operational or value for money audits throughout the council or unit” (URT LGAs Internal Audit Manual, 2005: iii). Therefore, at the LGAs level internal auditors are obliged to carry out operational audits in the due course of executing their duties.

2.4 Internal Control System
“The internal control” as an expression is distinctive from “external control”, the latter being control exercised over the business from outside by owners and other stakeholders. “Internal control” is the control exercised within the business by management and overseen by the board. It also includes the control of activities that have been outsourced (Chambers and Rand, 2010). According to the COSO (1992)
Internal Control – Integrated Framework, in its Draft for Information Framework issued in December 2011 the definition for internal control emphasizes that internal control is:

a) A process consisting of ongoing tasks and activities. It is a means to an end, not an end in itself.
b) Effected by people. It is not merely about policy manuals, systems, and forms, but about people at every level of an organization that impact internal control.
c) Able to provide reasonable assurance, not absolute assurance, to an entity’s senior management and board.
d) Geared to the achievement of objectives in one or more separate but overlapping categories.
e) Adaptable to the entity structure.

2.4.1 Objectives of an Internal Control System
An organization’s management designs an effective internal control system to achieve three broad objectives which are: the reliability of financial reporting, the efficiency and effectiveness of operations, and the compliance with laws and regulations (Whittington and Pany, 2008).

Precisely, the objectives of the internal control system can be viewed on the bases of the function expected to be performed by different controls established by management. The Integrated Framework of the COSO (1992) of the Treadway Commission Draft for Information Framework issued in December 2011 sets forth three distinct but overlapping categories of objectives (a particular objective can fall under more than one category), which allow organizations to focus on separate aspects of internal control:

a) Operations objectives – These pertain to effectiveness and efficiency of the entity’s operations, including operations and financial performance goals and safeguarding assets against loss.
b) Reporting objectives – These pertain to the reliability of reporting. They include internal and external financial and non-financial reporting.

c) Compliance objectives – These pertain to adherence to laws and regulations to which the entity is subject.

According to the URT Internal Audit Manual (2005: 1) the internal control which is composed of the whole system of controls and methods, both financial and otherwise, is meant to achieve objectives of: safeguarding assets, ensuring reliability of records, promoting operational efficiency, and monitoring adherence to policies and directives.

2.4.2 Effective Internal Control

In general, internal control is effective if it provides reasonable assurance for the achievement of the three objective categories (operations, reporting, and compliance) and is free from any material control weaknesses. Although internal control is about “technical” checks and balances such as the maintenance of data bases, record keeping, or segregation of duties, these aspects of information handling all rely on the effort, trustworthiness, and discipline of the people involved (Pfister, 2009).

The CoCo programme of the Canadian Institute of Chartered Accountants has stated that control is effective to the extent that it provides reasonable assurance that an organization will achieve its objectives reliably; or, control is effective to the extent that the remaining (uncontrolled) risks of the organizations failing to meet its objectives are acceptable (Chambers and Rand, 2010: 141).

“An effective system of internal control provides reasonable assurance regarding achievement of an entity’s objectives. To have an effective system of internal control relating to one, two, or all three categories of objectives each of the five components must be present and operate together in a manner that reduces, to an acceptable level, the risk of not achieving an objective.”
Reliability of Financial Reporting
Management is responsible for preparing statements for investors, creditors and other users. Management has both a legal and professional responsibility to be sure that the information is fairly presented in accordance with the reporting requirements such as GAAP. The objective of effective internal control over financial reporting is to fulfill these financial reporting responsibilities.

Efficiency and Effectiveness of Operations
Controls within a company encourage efficient and effective use of its resources to optimize the company’s goals. An important objective of these controls is accurate financial nonfinancial information about the company’s operations for decision making.

Compliance with Laws and Regulations
Organizations (public, nonpublic and not-for-profit) are required to follow many laws and regulations. Some relate to accounting only indirectly, such as environmental protection and civil rights laws. Others are closely related to accounting such as income tax regulations and anti-fraud legal provisions.

2.4.3 Evaluation Criteria for Internal Control System
The evaluation of internal control systems is normally done based on criteria contained in standardized frameworks or models. Management must identify such frameworks in the course of carrying out evaluations for effectiveness of their systems of internal control. There are frameworks such as that of the United States (US) known as the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework, the United Kingdom’s Internal Control: Guidance for the Directors on the Combined Code (known as the Turnbull Report), and the Canada’s Guidance on Assessing Control (known as CoCo) (Elder et al., 2010:291), to mention a few. All the aforementioned frameworks are acceptable in carrying out evaluations for internal control system effectiveness (Chambers and Rand, 2010).
The Internal Control — Integrated Framework produced after the release of the Treadway Commission’s recommendations, is a document that provides principles-based guidance for designing and implementing effective internal controls. The development of this framework was in response to senior executives’ need for effective ways to better control their enterprises and to help ensure that organizational objectives related to operations, reporting, and compliance are achieved. This framework has become the most widely used internal control framework in the US and has been adapted by numerous countries and businesses around the world (COSO, 1992).

The IIA (2013) emphasizes that COSO is the most widely recognized guidance on what constitutes effective internal control, which is vital for the success of any organization. It is broad-based and can be applied by organizations, businesses, governmental agencies, and not-for-profit enterprises of all sizes.

2.5 Operational Auditing on Internal Control in LGAs

Operational auditing on internal control systems in LGAs is explained by looking at the definition of internal auditing provided by the URT LGAs Internal Audit Manual (2005: iii) which defines it as: “an independent appraisal activity established within the unit involved, and which controls its activity functions by examining and evaluating the adequacy and effectiveness of internal controls in the council or unit and for conducting operational or value for money audits throughout the council or unit”. The emphasis that large part of the internal auditors’ work consists of operational auditing is of vital importance here (Whittington and Pany, 2008). The concept here is that the LGAs’ internal auditors may examine and evaluate the adequacy and effectiveness of internal controls in the councils through operational auditing.

The URT LGAs Internal Audit Manual (2005) emphasizes that the internal auditor should identify and evaluate the council’s internal control system as the basis for reporting upon its adequacy and effectiveness. As far as this research is concerned, and the basic meaning operational auditing has, this is reporting for operational
adequacy and effectiveness resulting from the operational audits the internal auditor carries out on internal controls. The manual also stresses that the internal audit unit is responsible in reviewing the soundness, adequacy, and application of internal controls for both financial, management, and use of resources, and that, the review of internal controls is a useful exercise as it provides quality information to management on safeguard of assets, reliability of records, promotion of operational efficiency, and monitoring adherence to policies and directives.

Carrying out of operational auditing on IC in LGAs is also unveiled in the internal audit definition given by Regulation 33 of the URT Public Finance Regulations (2001) cited in the URT LGAs Internal Audit Manual (2005: vi) that: “it is an independent appraisal activity established within a ministry, department or agency or any other reporting unit which operates as a service to the head of the unit involved, of which it controls activity functions by examining and evaluating the adequacy and effectiveness of internal controls in the unit reviewed and for conducting operational/value for money audits throughout the unit in order to ensure that proper systems of internal control and accounting systems exist throughout the unit”.

It is clear therefore that, operational auditing is conducted by internal auditors on the IC in LGAs, the objective of which is among others, to have an effective IC. The assumption here is, when LGAs’ internal auditors conduct operational audits on IC they come up with recommendations for improvement as regards areas of weaknesses, thus making the later effective.

The afore-discussed Tanzanian LGAs laws and regulations governing the conduct of operational auditing on the internal control by internal auditors are consistent with the IIA (2013) IPPF International Standards for the Professional Practice of Internal Auditing (Standards). Standard number 2130 (Control) provides that the internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The standard (under 2130.A1) further explains that the internal audit activity must evaluate the adequacy and effectiveness of controls in responding to
risks within the organization’s governance, operations, and information systems regarding the following aspects:

a) Achievement of the organization’s strategic objectives;
b) Reliability and integrity of financial and operational information;
c) Effectiveness and efficiency of operations and programs;
d) Safeguarding of assets; and
e) Compliance with laws, regulations, policies, procedures, and contracts.

2.6 Empirical Literature Review

Badara (2012) stresses that local governments’ internal auditors lack proper independence in conducting their duties due to the fact that their freedom of actions in verifying various records of different departments and to ensure other control aspects in place, is very weak. He also emphasizes that internal auditors’ evaluation on the internal control system of the local government is performed unsatisfactorily to the extent that it cannot prevent irregularities and fraud. He further outlines other deficiencies of the internal audit functions of local governments as being understaffed and experiencing excessive work load.

Others are lack of compliance with general standard (professional proficiency), and having problems of organizational structure (clear line of reporting and responsibility) and of information dissemination within the local government on some control issues being taken for other protection. He recommends the internal auditors at all level should be adequately independent of members of various departments within the organization so that they can carry out their duties effectively, and that there should be regular evaluation of controls in order to determine their effectiveness in operation and identify weaknesses so that corrective action(s) can be taken. He also puts clear that the internal audit units at local government levels need additional staff that are qualified and competent in order to perform their functions effectively, and that the government at all levels should make provisions that can allow the internal auditors to attend important seminars, workshops and symposia which can improve their effectiveness on financial control and other controls.
All the findings by Badara are true as it can be witnessed in the review of literature to this study though operational auditing has not been straight forward as a means for evaluations by internal auditors in LGAs. In this research therefore, more searches and analyses were made to unveil whether there are circumstances where LGAs uses other government auditors or CPA firms in conducting operational audits on ICSs and whether these too encounter the same problems. Also, the issue of appropriate staffing of the operational audit team was worked upon to uncover the use of an opportunity of outsourcing expertise LGAs do not have to cater for operational auditing diversity so as to have competent multi-disciplined operational audit teams.

Wright (2009) comments that the organization’s use of internal controls is influenced by the interplay between the organization’s culture and the sub-culture of an internal operational audit function characterized by a unique culture within an organization different from the organization’s culture as a whole. He sees the internal operational audit unit’s culture tends to be far more bureaucratic than the organization’s as a whole, a culture that is also strongly clannish, generally more so than the organization as a whole in which the nature of the clannishness is in favour of the operational internal auditors rather than the organization as a whole. He clarifies that, operational internal auditors see themselves as being “superior” to the run of operational managers; tensions between the organization and the operational internal auditor that exist because of the cultural difference, and the strong bureaucratic/hierarchical culture of the operational internal auditor which is reflected in the strong desire to follow rules. These tensions are strongest when the operational internal audit is not strongly imbued with the organizational culture of the whole organization and thus does not have a culture that is subservient to that of the organization as a whole. At least some cultural difference and, therefore, tension between the organization and its operational internal audit is a good thing, as it appears to avoid the operational internal auditor coming under the influence of the organization to the point at which independence is lost, and with it the value of the operational audit as a way of “keeping the organization on the straight and narrow”.

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The Wright’s findings hold true in organizations where the internal audit functions’ autonomy is full. However, the issue of good relation between the internal auditors and the auditees is doubtful here. It must be remembered that operational auditing in all its phases (from planning through reporting and follow-up) is participative. Search was therefore made to explore the status of relations between the parties to operational auditing and the consequences.

2.7 Conceptual Framework

Kombo and Tromp (2011:49), quoting the work of Reichel and Ramey (1987) say a conceptual framework is a set of broad ideas and principles taken from relevant fields of inquiry and used to structure a subsequent presentation. The conceptual framework indicates the effect of the independent variables (cause) on the dependent variables (outcome). Variables are attributes or qualities of cases that a researcher measures or records. Such attributes are referred to as variables because it is assumed that the cases under study will vary in their scores on these attributes which are of two major forms: the independent (also known as predictor or explanatory) variables and dependent variables, which is usually only one in a study, and it is the outcome variable the researcher tries to predict (Kombo and Tromp, 2011:54).

The dependent variable of this study is the effectiveness of internal control measured by reliable financial reports and effective and efficient service provision. The independent variable of the study is the operational audit as we have in previous sections above, internal audit are required to undertake operational audit, for Tanzania local government that is undertaken during financial audit. Therefore, methods used to ascertain the effectiveness of internal control will be used in general be assessed using operational audit assessment which is economy, efficiency and effectiveness, as it can be seen in figure 2.1.
Figure 2.1: Conceptual Framework

CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction
In this chapter explanations have been made on the methods applied in carrying out the research. It is organized under the sections of the research design, study area or site, study population, units of analysis, variables and their measurements, sample size and sampling techniques, types and sources of data, data collection methods, validity issues, and data analysis methods.

3.1 Research Design
A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. It is the conceptual structure within which research is conducted; constituting the blueprint for the collection, measurement and analysis of data (Kothari, 2004:31). The research design of this study is the case study design because the researcher was seeking to describe a unit (KDC) in detail, in context and holistically in which data were organized and the object for study was looked at as whole. This design facilitates a great deal to be learned from a few examples of the phenomenon under study (Kombo & Tromp, 2006).

3.2 Study Area
This study was undertaken in KDC. The researcher chose KDC to be the area for his study due to reasons of financial and time resources constraints, taking advantages of the availability of information relevant to the study, and easy accessibility of the area by the researcher.

3.3 Study Population
The study population is composed of staffs and normal citizen of KDC. Staffs were included as they provide services and they are the ones supposed to maintain effective internal controls, and the internal and external auditors are supposed to undertake the operational audits on the IC. For the population other the KDC’s
working staff, the researcher took councilors who are member of finance committee to represent the population of citizens served by the KDC.

3.4 Sample Size and Sampling Techniques
The sample of 28 respondents were chosen comprising the DED; legal officer; members of the internal audit unit; technology, information and communication; procurement; external auditors; district treasurer; members of the accounts department; members of the audit committee; members of the finance and trade committee; administration and public service; and members of the planning, statistics and follow-up departments.

<table>
<thead>
<tr>
<th>S/No.</th>
<th>Members Category</th>
<th>Selected Sample</th>
<th>Returned Questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>District Executive Director (DED)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>Legal Officer</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>3.</td>
<td>Internal Audit Unit</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>4.</td>
<td>Technology, Information and Communication</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>5.</td>
<td>Procurement</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>6.</td>
<td>External Auditors – NAO</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>7.</td>
<td>District Treasurer</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>8.</td>
<td>Members of the Accounts Department</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>9.</td>
<td>Members of the Audit Committee</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>10.</td>
<td>Members of the Finance and Trade Committee</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>11.</td>
<td>Administration and Public Service</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>12.</td>
<td>Planning, Statistics and Follow-up</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>28</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: Researcher’s selection (2013).

3.4.1 Sampling Technique
Judgmental sampling technique was used to choose respondents, based on the assumption that respondents have a clear understanding and knowledge about the subject in question as it can be seen in Table 3.1.
3.5 Data Collection Methods

These are ways used to extract information. The methods employed by this study were questionnaires, interviews and documentary reviews. The researcher considered these methods as appropriate to enable him gather accurate and enough information. Primary data were collected through questionnaires and interviews. Secondary data were gathered from documentary reviews.

3.5.1 Primary Data

Primary data refer to information collected for the first time. The primary data collected in this study were intended to answer objectives one to three. Questionnaires and structured and unstructured interviews were used to fulfill the purpose.

**Questionnaire**

This is a series of questions prepared for collecting primary information from individuals in the selected sample. The researcher used questionnaires as one of the means of collecting information from both KDC staffs and citizen (represented by councilors who are members of the finance committee). The information helped the researcher to understand the perception of respondents on the contribution of operational auditing in improving the effectiveness of internal control.

**Unstructured Interview**

This method does not follow the system of predetermined questions and standardized technique of recording information. The researcher used this method in order to have greater freedom in relation to the study. This method was used to collect data, which other methods failed to capture because the interviewer had much greater freedom to ask questions in relation to the study. The interview was conducted after the return of the questionnaires so as to check the validity of the information given to solicit the primary findings. Qualitative information collected from interview was used to supplement the quantitative information obtained from questionnaires.
3.5.2 Secondary Data

**Documentary review**

This is a method of secondary data collection in which information is extracted from different official records kept by an organization for reference. The researcher managed to review most of the KDC’s information from the annual general reports of the CAG on the financial statements of LGAs, and other documents published by URT agencies such as the National Bureau of Statistics (NBS), Prime Minister’s Office - Regional Administration and Local Government (PMO-RALG). This method was used because it helped the researcher to obtain information which is reliable, suitable, and adequate for the purpose of the research.

3.6 Data Analysis

The collected data were divided into two categories, qualitative data and quantitative data. Qualitative data is the information that cannot use statistical methods in the analysis while quantitative data uses statistical methods or measurements in reaching the conclusion of the findings (Kothari, 2004). The qualitative data obtained were used to enhance the discussion of the findings in the quantitative data.

The Statistical Package for Social Sciences (SPSS) was used to conduct descriptive analysis on quantitative data collected through questionnaires. Descriptive analysis allows data to be quantified and analysed. Tables, means and percentages were used to present the results. Qualitative data obtained through both structured and unstructured interviews were analysed by content.
CHAPTER FOUR
PRESENTATION OF FINDINGS

4.1 Introduction
This chapter presents the findings obtained from respondents and other sources. The questionnaires filled by respondents and face to face interviews facilitated the researcher to collect the primary data related to assessing the contribution of operational auditing in improving the effectiveness of internal control in the KDC, and its associated implications. The secondary data were obtained through documentary reviews for documents that the researcher managed to access. The collected data were analyzed and resulted into findings which are now presented through tables, means, percentages and word explanations.

The chapter covers the findings obtained on respondents’ information, the methods used in ascertaining the internal control system at KDC, the reliability of financial reports produced at KDC, and the assessment of the KDC’s effectiveness and efficiency in the provision of services.

4.2 Respondents’ Information
Out of 28 questionnaires which were distributed, 21 were filled and returned making the return rate equal to 75%.

4.2.1 Respondents’ Gender
Of the 21 questionnaires that were returned, 6 (28.6%) were filled by female respondents and the rest, 15 (71.4%), were filled by male respondents. The research findings therefore have been contributed by both female and male respondents hence, though they are of unequal proportion in number as shown in Table 4.1, it is obvious that the presented findings are not gender biased.
### Table 4.1: Respondents’ Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>6</td>
<td>28.6</td>
<td>28.6</td>
</tr>
<tr>
<td>Male</td>
<td>15</td>
<td>71.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research data (2013).

### 4.2.2 Respondents’ Work Experience

The respondents that took part in this research possess different lengths of time periods they have been working with the KDC or LGAs in general, a situation that has enabled the study to grasp advantages of both practical experience and possession of current knowledge and skills in their areas of work. Findings show that 42.9% of respondents have a working experience of 2 to 5 years, 42.8% have a working experience of above 6 years, and 14.3% have a working experience of less than 2 years. The respondents’ work experience is as presented in Table 4.2.

### Table 4.2: Respondents’ Work Experience

<table>
<thead>
<tr>
<th>Experience</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 years</td>
<td>3</td>
<td>14.3</td>
<td>14.3</td>
<td>14.3</td>
</tr>
<tr>
<td>2 to 5 years</td>
<td>9</td>
<td>42.9</td>
<td>42.9</td>
<td>57.2</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>5</td>
<td>23.8</td>
<td>23.8</td>
<td>81.0</td>
</tr>
<tr>
<td>Above 10 years</td>
<td>4</td>
<td>19.0</td>
<td>19.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2013).

### 4.2.3 Respondents’ Education Levels

In this research dealing was decided to be made with respondents with education levels of Diploma, Advanced Diploma or Bachelor, and Master’s and above. These education levels were considered as sound in getting respondents who have knowledge and skills in the subject under study. Fortunately, the minimum education level of respondents who took part in the study was Advanced Diploma or Bachelor. Results show that 81% were in the category of Advanced Diploma or Bachelor, and 19% were in the category of Master’s and above as it can be observed from Table 4.3.
Table 4.3: Respondents’ Education Levels

<table>
<thead>
<tr>
<th>Valid</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Diploma or Bachelor</td>
<td>17</td>
<td>81.0</td>
<td>81.0</td>
<td>81.0</td>
</tr>
<tr>
<td>Master’s and above</td>
<td>4</td>
<td>19.0</td>
<td>19.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2013).

4.3 Preliminary Research Findings

The theme of this research was to assess the contribution of operational auditing in improving the effectiveness of internal control at KDC, thereby coming up with generalizations of the whole Tanzanian LGAs at large. To undertake the theme successfully, three specific objectives were set as follows: to explore the methods used in ascertaining the internal control at KDC, to assess the extent of reliability of financial reports produced at KDC, and to assess the effectiveness and efficiency of service provision at KDC. Much consideration was made on the use of the internal audit unit in conducting operational audits on KDC’s internal control system, and in doing so answers were to be found to the three specific research questions that resulted from the specific research objectives.

However, prior to seeking answers to the specific research questions, answers to introductory questions 1 to 6 brought the researcher into awareness that KDC is in possession of an internal audit unit with four (4) members on whom 100% of respondents had a belief that they are professionally, experience-wise, and in number, capable of executing operational audits on KDC’s internal control system.

Also, 100% of respondents showed that the internal audit unit is the one that conducts operational audits on the internal control system of the KDC.

After the presentation of preliminary findings, the study now presents the findings according to the specific research objectives.
4.4 Methods Used in Ascertaining the Effectiveness of Internal Control

One of the research questions was meant to explore the methods that the KDC employs in ascertaining the effectiveness of its internal control system. In seeking answers to the said question assessments were made to understand the applicability of the suggested ascertaining methods, methods frequently used, and as to whether such methods result into economy, efficiency and effectiveness in the KDC’s course of service provision to the community.

4.4.1 Applicability of Ascertaining Methods

The first question that respondents were required to answer was to show for each of the suggested methods whether is applicable or not applicable. Respondents had to choose either applicable (coded as 1) or not applicable (coded as 2) at KDC. The decision criterion of this question was the mean of less than 1.5000 to show that the method is applicable. From the findings almost all the respondents showed that all the methods outlined in Table 4.4 are applicable, with the exception of one method, ‘Client’s own documentation of a system’ where only 57% (computed as 1.1429/2*100) showed that the method is applicable. Details of the findings are presented in Table 4.4.

Table 4.4: Descriptive Statistics for Applicability of Ascertaining Methods

<table>
<thead>
<tr>
<th>Methods</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reviewing previous audit work</td>
<td>1.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>Client's own documentation of a system</td>
<td>1.1429</td>
<td>.35857</td>
</tr>
<tr>
<td>Interviews with client's staffs</td>
<td>1.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>Tracing transactions</td>
<td>1.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>Examining client's documents</td>
<td>1.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>Observation of procedures</td>
<td>1.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>Valid N (list-wise)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2013).

Having known the applicability of the methods used in ascertaining the internal control, the researcher was interested in finding the frequency of use for each
method. The aim here was to understand the methods which are frequently used in ascertaining the effectiveness of the KDC’s internal control system by internal operational auditors. In answering this question respondents were required to rank the methods from 1 (very rarely used), 2 (rarely used), 3 (moderately used), 4 (frequently used), and 5 (very frequently used). The decision criterion then was set at the mean of more than 4.0 to show the method is frequently applicable.

As it can be observed from the findings presented in Table 4.5, two of the ascertaining methods are not frequently used, the client's own documentation of a system (mean of 3.8095), and interviews with client’s staff (mean of 3.9048). Results for all other methods show that they are frequently used. In ranking the methods starting with the most frequently used, each with its mean in brackets, tracing transactions (4.4762) is the first, followed by observation of procedures (4.3810), followed by examining client's documents (4.3333), followed by reviewing previous audit work (4.2857), followed by interviews with client's staffs (3.9048), and client's own documentation of a system (3.8095) is the last. Hence, ‘tracing of transactions’ is the most frequently used.

Table 4.5: Descriptive Statistics on Mostly Used Ascertaining Methods

<table>
<thead>
<tr>
<th>Methods</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reviewing previous audit work</td>
<td>21</td>
<td>3.00</td>
<td>5.00</td>
<td>4.2857</td>
<td>.78376</td>
</tr>
<tr>
<td>Client's own documentation of a system</td>
<td>21</td>
<td>3.00</td>
<td>5.00</td>
<td>3.8095</td>
<td>.74960</td>
</tr>
<tr>
<td>Interviews with client's staffs</td>
<td>21</td>
<td>2.00</td>
<td>5.00</td>
<td>3.9048</td>
<td>.88909</td>
</tr>
<tr>
<td>Tracing transactions</td>
<td>21</td>
<td>3.00</td>
<td>5.00</td>
<td>4.4762</td>
<td>.67964</td>
</tr>
<tr>
<td>Examining documents</td>
<td>21</td>
<td>3.00</td>
<td>5.00</td>
<td>4.3333</td>
<td>.65828</td>
</tr>
<tr>
<td>Observation of procedures</td>
<td>21</td>
<td>3.00</td>
<td>5.00</td>
<td>4.3810</td>
<td>.66904</td>
</tr>
<tr>
<td>Valid N (list-wise)</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2013).

4.4.2 Economy, Efficiency and Effectiveness of the Methods

The study also assessed the extent to which the methods used by the KDC’s internal audit unit in ascertaining the effectiveness of the internal control prove the achievement of economy, efficiency and effectiveness in doing so. In this research;
economy carried the meaning of conducting quality operational audits on IC at minimum possible costs, efficiency carried the meaning of maximizing outcomes of operational audits on IC using minimum possible original costs, and effectiveness carried the meaning of achievement of objectives of conducting operational audits on IC. Respondents were required to rank the aspects of economy, efficiency and effectiveness according to the meanings they were given from 1 (strongly agree), 2 (agree), 3 (moderately agree), 4 (disagree), and 5 (strongly disagree).

Findings show that the respondents’ ranking lie between the ‘agree’ and ‘moderately agree’ ranks for all the aspects of economy, efficiency and effectiveness as it may be seen in Table 4.6. None is in the ‘strongly agree’, ‘disagree’, and ‘strongly disagree’. This interpretation is based on the mean scored by each aspect. Taking a mean of or less than 3.5000 as a decision criterion in considering an aspect applicable, all the aspects (economy, efficiency and effectiveness) are applicable. The meaning of this assessment is that none of the three aspects under review is very good or bad or very bad, they are just good and moderately good.

Table 4.6: Economy, Efficiency and Effectiveness of IC Ascertaining Methods

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy- conducting quality operational audits on IC at minimum possible costs</td>
<td>21</td>
<td>1.00</td>
<td>5.00</td>
<td>2.2857</td>
<td>1.18924</td>
</tr>
<tr>
<td>Efficiency- maximizing outcomes of operational audits on IC using minimum possible original costs</td>
<td>21</td>
<td>1.00</td>
<td>5.00</td>
<td>2.4286</td>
<td>1.20712</td>
</tr>
<tr>
<td>Effectiveness- achievement of objectives of conducting operational audits on IC</td>
<td>21</td>
<td>1.00</td>
<td>5.00</td>
<td>2.8095</td>
<td>1.36452</td>
</tr>
</tbody>
</table>

| Valid N (list-wise) | 21 |

Source: Research data (2013).
4.5 Reliability of Financial Reports Produced at KDC

Assessment of the extent of reliability of the financial reports produced at KDC is the second specific objective of this research that forms the second specific research question. Answers to introductory questions of this section furnished the researcher with 100% respondents’ agreement on the facts that the KDC’s financial statements are audited by the external auditor and are published in local newspapers, normally ‘Mwananchi’ and ‘Nipashe’. Also, all the respondents mentioned the same external auditor for financial statements of the council as the National Audit Office (NAO).

Another question to find whether financial statements do pass through different parties before they are sent to the external auditor was asked. The study examined as to whether the KDC’s financial statements passes through the finance and accounting staffs, internal auditors, audit committee members, and heads of departments, before being sent to the external auditor. Respondents were asked to tick at Yes (coded as 1) or No (coded as 2) in which findings show that 100% of the respondents agreed that financial statements do pass through the said parties as presented in table 4.7.

<table>
<thead>
<tr>
<th>Parties the Financial Statements Passes Through</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and accounting staffs</td>
<td>21</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>.0000</td>
</tr>
<tr>
<td>Internal auditors</td>
<td>21</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>.0000</td>
</tr>
<tr>
<td>Audit committee members</td>
<td>21</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>.0000</td>
</tr>
<tr>
<td>Heads of departments</td>
<td>21</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>.0000</td>
</tr>
<tr>
<td>Valid N (list-wise)</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


4.5.1 Audit Committee’s Enhancement of Reliability of Financial Reports

The audit committee has a great role in the enhancement of the financial reports’ reliability because it is responsible for advising the accounting officer on the preparation and review of financial statements of the council. Also, it is responsible for approving the internal audit annual programme and strategic audit plans of the council, and reviewing all the internal and external audit reports involving matters of concern to management (URT LAFM, 2010). In this research, the committee’s
efficiency was assessed based on the committee’s possession of member(s) with knowledge background in accounting and auditing, and members having regular meetings for the purpose of handling its responsibilities as required by law.

Findings regarding the composition show that out of 5 members of the committee, 3 have the accounting and auditing expertise. On the other hand, findings regarding regular meetings of the committee show that 61.9% of respondents say the KDC’s audit committee members do not meet regularly while 38.1% said they do. This implies that though it meets the organizational structure required by the URT LAFM (2010) order number 12 (2) & (3), it is ineffective in the execution of its tasks hence deterring the reliability of the KDC’s financial reports.

Table 4.8: Regular Meetings of the Audit Committee

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>8</td>
<td>38.1</td>
<td>38.1</td>
<td>38.1</td>
</tr>
<tr>
<td>No</td>
<td>13</td>
<td>61.9</td>
<td>61.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research data (2013).

4.5.2 Management’s Commitment to Competence

All the respondents agreed that the KDC’s management is committed in ensuring that competence levels are translated into the accomplishment of tasks by individual council workers in the accounting and auditing departments, and other departments. This means that the KDC’s management ensures proper recruitment and training procedures are adhered to in order to have employees whose knowledge and skills are translated into quality and sustainable financial reports.

Table 4.9: Management’s Commitment to Competence

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>21</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research data (2013).
4.5.3 Audit opinion

KDC like other LGAs has its financial statements being externally audited by the CAG who is the statutory auditor of all government revenue and expenditure in accordance with provisions of article 143 of the constitution of the United Republic of Tanzania, and Sect. 45 of the Local Government Finances Act No. 9 of 1982 (revised 2000), together with Sect. 10(1) of the Public Audit Act No.11 of 2008. For the five consecutive fiscal years which were reviewed (2007/08, 2008/09, 2009/10, 2010/11, and 2011/12), the KDC was issued an unqualified audit opinion by the CAG (NAO, 2013: 203). The coding of the audit opinion was 1 for a qualified opinion and 2 for an unqualified one. Results are as presented in table 4.10.

Table 4.10: Descriptive Statistics for Audit Opinion

<table>
<thead>
<tr>
<th>Opinion provided by CAG for five consecutive fiscal years:</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007/2008</td>
<td>21</td>
<td>2.00</td>
<td>2.00</td>
<td>2.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>2008/2009</td>
<td>21</td>
<td>2.00</td>
<td>2.00</td>
<td>2.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>2009/2010</td>
<td>21</td>
<td>2.00</td>
<td>2.00</td>
<td>2.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>2010/2011</td>
<td>21</td>
<td>2.00</td>
<td>2.00</td>
<td>2.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>2011/2012</td>
<td>21</td>
<td>2.00</td>
<td>2.00</td>
<td>2.0000</td>
<td>.00000</td>
</tr>
<tr>
<td>Valid N (list-wise)</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2013).

These results were obtained from published annual general reports of the CAG on the financial statements of LGAs.

Having unqualified audit opinions throughout the assessed years may be affected by the number of queries raised during external audit. The findings which were obtained through the analysis of quantitative data from questionnaires and content in documentary reviews show that the internal audit unit of KDC has been doing a lot of work and when their queries were dealt with by management then external auditors had a few to comment. At KDC the number of queries from external auditors has been declining for the past three years meaning that there is an improvement on the reliability of financial reports of the council. The number of queries both of external and internal auditors is as shown in table 4.11.
Table 4.11: Audit Queries in Five Fiscal Years

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of queries - internal auditors</td>
<td>320</td>
<td>398</td>
<td>275</td>
<td>245</td>
<td>310</td>
</tr>
<tr>
<td>Number of queries – external auditors</td>
<td>42</td>
<td>58</td>
<td>46</td>
<td>39</td>
<td>36</td>
</tr>
</tbody>
</table>

Source: Research data (2013).

4.6 Effectiveness and Efficiency in the Provision of Services

Normally operational auditing carries out evaluations for effectiveness, efficiency and economic achievements of an organization and coming up with recommendations for improving its (organization’s) operations in the future. As far as operational auditing on the KDC’s internal control is concerned, the effectiveness and efficiency of its operations in the provision of services was paid a great importance in the conduct of this study. This is because the researcher had a view that if proper operational audits are conducted on the KDC’s internal control, there will be a reasonable assurance that effectiveness and efficiency in the provision of quality and sustainable services will also be greatly achieved.

4.6.1 Effectiveness

In this research the effectiveness of the KDC in providing services to the community was measured by actual costs against budgeted costs incurred in providing those services and the ranking for various departments was from 1 (very effective), 2 (effective), 3 (moderately effective), 4 (ineffective), and 5 (very ineffective). Taking the decision criterion as all means of or below 3.0000 are applicable, findings justify that all the departments’ service provision means are applicable as it can be seen in table 4.12 in the mean column.
### Table 4.12: Descriptive statistics for Effectiveness in the Provision of Services

<table>
<thead>
<tr>
<th>Department</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>DED</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>1.9048</td>
<td>.88909</td>
</tr>
<tr>
<td>Internal audit Unit</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.1429</td>
<td>.79282</td>
</tr>
<tr>
<td>Administration and public services</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.4286</td>
<td>.74642</td>
</tr>
<tr>
<td>Health</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.6190</td>
<td>.92066</td>
</tr>
<tr>
<td>Planning, statistics and follow-up</td>
<td>21</td>
<td>2.00</td>
<td>4.00</td>
<td>2.8095</td>
<td>.81358</td>
</tr>
<tr>
<td>Finance and trade</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.6190</td>
<td>.74001</td>
</tr>
<tr>
<td>Primary education</td>
<td>21</td>
<td>1.00</td>
<td>5.00</td>
<td>2.9524</td>
<td>1.16087</td>
</tr>
<tr>
<td>Secondary education</td>
<td>21</td>
<td>1.00</td>
<td>5.00</td>
<td>2.9048</td>
<td>1.13599</td>
</tr>
<tr>
<td>Water</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.4762</td>
<td>.67964</td>
</tr>
<tr>
<td>Agriculture, irrigation and co-operative</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.4762</td>
<td>.81358</td>
</tr>
<tr>
<td>Livestock and fishery</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.4762</td>
<td>.81358</td>
</tr>
<tr>
<td>Community development, social welfare and youth</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.6190</td>
<td>.92066</td>
</tr>
<tr>
<td>Land</td>
<td>21</td>
<td>2.00</td>
<td>4.00</td>
<td>2.8571</td>
<td>.79282</td>
</tr>
<tr>
<td>Works and fire</td>
<td>21</td>
<td>1.00</td>
<td>5.00</td>
<td>3.0000</td>
<td>1.14018</td>
</tr>
<tr>
<td>Natural resource and environment</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.5238</td>
<td>1.03049</td>
</tr>
<tr>
<td>Valid N (list-wise)</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: *Research data (2013)*

#### 4.6.2 Efficiency

Efficiency in the provision of services by the KDC was measured by the maximization of the output services at minimum original costs, and the ranking for various departments was from 1 (very efficient), 2 (efficient), 3 (moderately efficient), and 4 (inefficient), and 5 (very inefficient). Findings show that almost all the departments’ provision of services was lying between the ranking category 1 (very efficient) and 3 (moderately efficient), with the exception of the Land department which had a mean of 3.0952. Using the same decision criterion as in the effectiveness, the land department has fallen in the inefficient ranking in the provision of services to the community.
Table 4.13: Descriptive Statistics for Efficiency in Provision of Services

<table>
<thead>
<tr>
<th>Department</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>DED</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.1905</td>
<td>.74960</td>
</tr>
<tr>
<td>Internal audit Unit</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.3333</td>
<td>1.06458</td>
</tr>
<tr>
<td>Administration and public services</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.6190</td>
<td>.97346</td>
</tr>
<tr>
<td>Planning statistics and follow-up</td>
<td>21</td>
<td>2.00</td>
<td>4.00</td>
<td>3.0000</td>
<td>.70711</td>
</tr>
<tr>
<td>Health</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.7619</td>
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<tr>
<td>Finance and trade</td>
<td>21</td>
<td>2.00</td>
<td>4.00</td>
<td>2.7143</td>
<td>.78376</td>
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<td>Primary education</td>
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<td>1.00</td>
<td>5.00</td>
<td>2.7143</td>
<td>1.14642</td>
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<td>Secondary education</td>
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<td>5.00</td>
<td>2.7619</td>
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<td>Water</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.5714</td>
<td>.87014</td>
</tr>
<tr>
<td>Agriculture, irrigation and co-operative</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.5238</td>
<td>.98077</td>
</tr>
<tr>
<td>Livestock and fishery</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.5714</td>
<td>.97834</td>
</tr>
<tr>
<td>Land</td>
<td>21</td>
<td>2.00</td>
<td>5.00</td>
<td>3.0952</td>
<td>.88909</td>
</tr>
<tr>
<td>Community development, social welfare and youth</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.5714</td>
<td>.97834</td>
</tr>
<tr>
<td>Works and fire</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.8571</td>
<td>1.01419</td>
</tr>
<tr>
<td>Natural resource and environment</td>
<td>21</td>
<td>1.00</td>
<td>4.00</td>
<td>2.6190</td>
<td>.97346</td>
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<tr>
<td>Valid N (list-wise)</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2013).

4.7 Findings from Interviews and Documentary Reviews

Presentations that are made here are a result of content analysis from information obtained through some of the interview guiding questions, and documentary reviews. Findings that are presented here are meant to enhance and show the validity of findings obtained from the analysis of quantitative data obtained through questionnaires.

4.7.1 Structured Interview

In seeking answers to questions 1 and 2 of the structured interview which were meant to confirm whether operational audits are conducted on the KDC’s internal control by seeing the presence of samples of reports of stand-alone titled “Operational Audit on the KDC’s IC”, it was found that there are no samples of such reports that are being kept by the KDC’s internal audit unit. In responding to the questions, one of the internal audit staffs said:
Though we do not have records of such reports, bear in mind that everything the internal audit unit does is operational, and in the course of financial and compliance audits the unit pursues, the internal control system is audited.

This statement shows that no stand-alone titled operational audits are conducted on the KDC’s IC hence no specific contribution can be expected from the same in improving the effectiveness of the KDC’s IC.

4.7.2 Unstructured Interview
In seeking response to an unstructured interview guide that was meant to see the presence of non-executive members in the KDC’s audit committee, it was found that the committee has 2 members who are working with financial institutions outside the council, one is from the Tanzania Revenue Authority (TRA) – Kisarawe, and another is working with the National Microfinance Bank (NMB) – Kisarawe Branch. This satisfies the requirement of the composition of the council audit committee according to the LAFM (2010).

4.7.3 Documentary Reviews
Documentary reviews facilitated the collection a great deal of secondary information from reliable documents. Presentation of findings being made here are meant to show the results of evaluations made by the external auditor of KDC on the effectiveness of its IC, and the manner in which such findings can enhance findings from the analysis of quantitative data obtained through questionnaires, and the way in which they can validate the same. Results of the external auditor’s (CAG’s) evaluation of the KDC’s IC for at least 3 years is as summarized in Table 4.14.
Table 4.14: CAG’s Evaluation of the KDC’s Internal Control System

<table>
<thead>
<tr>
<th>ISSUES AND FISCAL YEARS</th>
<th>Ineffective Internal Audit Unit and Compliance with Laws and Regulations</th>
<th>Inadequate IT Control Environment</th>
<th>Inefficient Performance of Audit Committee</th>
<th>Lack of Risk Management Framework</th>
<th>Lack of Documented Fraud Prevention Plan</th>
<th>Inadequate Accounting System</th>
<th>Use of Manual Accounting</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009/ 2010</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>2010/ 2011</td>
<td>√</td>
<td></td>
<td>√</td>
<td></td>
<td>√</td>
<td></td>
<td>√</td>
</tr>
<tr>
<td>2011/ 2012</td>
<td>√</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data (2013).

These results show that the KDC’s IC is generally weak in different aspects on which the external auditor carried evaluations. Worse enough, the internal audit unit which in this research is regarded as a key player in conducting operational audits on the IC, is also seen to be generally ineffective. How can an ineffective internal audit unit manage to conduct an effective stand-alone operational audit on the organizations ICS?
CHAPTER FIVE
DISCUSSION OF FINDINGS

5.1 Introduction
In this chapter discussion is made on findings presented in chapter four in relation to the specific research objectives and the world existing knowledge on operational auditing and its contribution in improving the effectiveness of internal control. Also, the chapter describes and highlights how the research reflects, differs from, and extends current knowledge of matter under study and provide chance to demonstrate exactly what is known about this topic by interpreting the findings and outlining the meaning. The discussion will be undertaken in accordance with the sequence of the research objectives, that is, starting with the coverage of the methods used by KDC in the ascertainment of the effectiveness of its internal control, followed by aspects of reliability of its financial reports, and end up with effectiveness and efficiency of the KDC’s provision of services.

5.2 Methods Used in Ascertaining the Effectiveness of Internal Control
The examination of previous audit work, client's own documentation of a system, interviews with client's staffs, tracing transactions, examining client's documents, and observation of procedures; are the methods which the presented findings demonstrate that they are all being used in ascertaining the KDC’s internal control. As far as operational auditing on the internal control is concerned, together with these methods, the internal audit unit must have staffs who are capable of scrutinizing the accounting and other professionally and technically established internal controls in operation so that appropriate professional and technical recommendations can be issued in operational audit reports, and follow-up of their implementation be effectively made. Such audits must include assessments for the presence of the required soft and hard-wares, together with the qualification, trustworthiness, and number of people assigned to work in those areas. Otherwise weaknesses of the KDC’s internal control in areas shown in Table 4.1 will continue being in persistence.
5.2.1 Mostly Used Ascertaining Methods
The presented findings show that ‘tracing transactions’ (mean of 4.4762) is the most frequently used, followed by ‘observation of the procedures (mean of 4.3810)’, ‘examining client's or department's documents’ (4.3333), ‘reviewing previous audit work (4.2857)’, ‘interviews with client's or department's staffs (3.9048)’, and ‘client's or department's own documentation of a system’ (3.8095) is the last. Though ‘tracing of transactions’ is the most frequently used, findings show that other methods are also greatly used because the decrease in mean is steadily gradual from one method to the next. The meaning here is that, all the methods are necessary in the ascertaining process, frequencies of use are determined by the nature of the KDC’s operations and the associated transactions.

5.2.2 Economy, Efficiency and Effectiveness of the Ascertaining Methods
The extent to which the methods used in ascertaining the effectiveness of internal control facilitate the KDC to achieve economy, efficiency and effectiveness in the provision of services was of great importance in this study. In this study, economy carried the meaning of conducting quality operational audits on IC at minimum possible costs, efficiency carried the meaning of maximizing outcomes of operational audits on IC using minimum possible original costs, and effectiveness carried the meaning of achievement of objectives of conducting operational audits on IC.

In accordance with the allotted ranking, findings have shown that the three aspects lie between the ‘agree’ and ‘moderately agree’ ranking categories for all the aspects of economy, efficiency and effectiveness. None is in the ‘strongly agree’, ‘disagree’, and ‘strongly disagree’. The meaning of these assessments is that, none of the aspects under review is very good or bad or very bad. Efforts must therefore be made by the KDC’s internal audit unit to ensure the conduct of operational audits on the IC is more economical, more efficient and more effective. However, generally the methods employed to ascertain the internal control do enhance economy at minimum possible costs as the findings show the mean of 2.2857 given that a mean of or less than 3.0000 was set as the decision criterion. Also the methods result to efficiency
due to the findings interpretation which shows the mean of 2.4286, using the same decision criterion, likewise effectiveness a mean of 2.8095 was achieved.

5.3 Reliability of Financial Reports produced by the KDC

The presented findings show that the financial reports produced by the KDC are reliable on the basis of their preparation and involvement of the required parties before they are sent to external auditors. Also, the presented findings show that the KDC’s financial reports are audited by NAO as the external auditor, and published. However, the presented findings show that the audit committee does not meet regularly as required, implying that it is not effective as expected in pursuing its duties, including the provision of advice to the DED on the preparation and review of financial statements of the council. This is contrary to order number 12 (5) (a) and (f) of the URT LAFM (2010). This reduces the extent of reliability of the financial reports of KDC. This has been just one aspect deterring the reliability of financial reports that was obtained in the findings from the analysis of the primary sourced quantitative information. Others are as shown in Table 4.1 in which inefficient performance of the internal audit unit is inclusive. This has a negative implication as regards the reliability of KDC’s financial reports, bearing in mind that internal auditors are the ones that conduct operational audits on the IC, a key in assuring reasonably the KDC with reliable financial information.

5.3.1 Audit committee’s Enhancement of Reliability of Financial Reports

According to order number 12 (5) (b) and (c) of the URT LAFM (2010) the audit committee is responsible for advising the accounting officer on the preparation and review of financial statements of the council, approving the internal audit annual programme and strategic audit plans of the council, and reviewing all the internal and external audit reports involving matters of concern to management. Following the ineffectiveness of the KDC’s audit committee as presented in the findings in chapter four and those on the annual general report of the CAG on the LGAs financial statements for fiscal years of 2009/10 and 2011/12 in which its performance is reported to be inefficient (Table 4.14), the council management needs to review its
composition and functioning so as to enhance the reliability of the council’s financial reports.

5.3.2 Management’s Commitment to Competence
The presented findings show that the KDC’s management ensures proper recruitment and training procedures are adhered to in order that the knowledge and skills of employees enrolled to work in the accounting and auditing departments, and other departments, are translated into quality and sustainable KDC’s financial reports. However, as regards the KDC’s internal control, it seems that there insufficient highly qualified manpower in professions of IT and quality assurance services which are reflected by the internal control system having inadequate IT control environment and lack of risk management framework as it can be seen in Table 4.14. A suggestion here is to employ competent professionals with a minimum level of a bachelor in the respective fields integrated with accounting or finance professions at postgraduate levels.

5.3.3 Audit opinion
The presented findings in chapter four show that for five consecutive fiscal years (2007/08 to 2011/12) the KDC was issued an unqualified audit opinion by the external auditor. However, this has not been a guarantee for it to have a perfectly effective internal control (see Table 4.14) irrespective the fact that primary findings show that operational audits are conducted on it by internal auditors.

5.3.4 Audit Queries in Five Fiscal Years
The relationship that has been presented in chapter four between the number of audit queries raised by the internal auditors and those raised by external auditor substantiate the fact that, irrespective the weaknesses shown in Table 4.14, internal auditors at KDC are a management’s supporting tool in ensuring that the organization achieves its objectives. The serious scrutiny of internal auditors thereby resulting into a great number of queries being raised from different departments means successful identification of different sorts of weaknesses in the aspects of operations, reporting and compliance.
In the absence of some internal or external constraints, the corrective action on such identified queries minimizes the number or may even leave none at all to be raised by external auditors. The great number of audit queries raised from different functions of the council by the internal auditor, and the management responding to them accordingly, can be enhanced by conducting operational audits on internal controls which when effectively undertaken can let every function work as required hence keeping the number of queries minimal thus enhancing the reliability of financial reports.

5.4 Effectiveness and Efficiency in the Provision of Services

An internal control system of the organization like KDC is meant to give reasonable assurance in the achievement of the organization’s objectives in the categories of operations, reporting, and compliance. Conducting operational audits on the internal control means making a follow-up to check whether the system is effective, that is, each and every component of the control system is present and working, and above all, ensuring that the components are working altogether as a system (COSO: 1992).

The extent of effectiveness and efficiency in the service provision by the KDC is a result of the corresponding strength of the internal control system that has been there assuring each and every department is working to achieve the operational objective of providing quality and sustainable services to the community is achieved. However, this has been brought about by the operational audits that have been being conducted on the internal control system thereby recommending for corrective actions on weaknesses thus improving the performance of the later. Greater effectiveness and efficiency could be expected if the operational audits on the IC could be conducted as a special mission for the IC alone, not as part of the financial or compliance audits, but a stand-alone titled audit.

According to Shalgo (2012) auditors face informational gaps and barriers when they rely on details obtained in financial and compliance audits alone in appraising the internal controls. He advocates that the implementation of operational audits on the
IC can help to fill such informational gaps and barriers thus establishing checks and balances and strengthening the IC.

5.5 Validity of Findings from the Analysis of Quantitative Data

Generally, the research findings resulting from the analysis of quantitative data obtained through questionnaires have been found not to be consistent with findings resulting from the content analysis on data obtained from interviews and documentary reviews, especially in the confirmation of the presence of reports of stand-alone operational audits on KDC’s IC, and evaluations of the effectiveness of the KDC’s IC by the external auditor as it can be studied in Table 4.14. This scenario is a reflection of the interpretation of answers to questions 1 and 2 obtained in the course of face to face interview with the internal audit staff and members in which no reports of operational audits on KDC’s IC could be provided as evidence to substantiate the conduct of operational audits on KDC’s IC. Also, the internal audit unit itself being inefficient, and other weaknesses shown in Table 4.14, are substantiating that no contribution can be expected from operational audits on the KDC’s IC in improving its effectiveness.

Quoting the work of Drucker and Henke (1975) Derakhshanmehr (2012) says operational auditing prevents the worsening of existing systems through surveying the state of the systems and paying close attention to them and provide suggestions for improving and adjusting them when necessary, thus implementing operational auditing can be said to be one of the ways of improving effectiveness and efficiency in an organization. The weaknesses shown in Table 4.14 signify that operational audits are either not conducted on the IC of the KDC or they are conducted insufficiently, or they are conducted but their report recommendations for improvement are not implemented.
CHAPTER SIX
SUMMARY, CONCLUSIONS, AND POLICY IMPLICATIONS

6.1 Introduction
This chapter presents a summary of key research findings, the conclusions drawn and the policy implications. It also points out areas that require further research. The presentation will generally be based on the overall objective of the study. The overall objective of this study was to assess the contribution operational audits have in improving the effectiveness of internal control in local government authorities of Tanzania.

6.2 Summary
The internal control system of an organization gives it reasonable assurance regarding the achievement of its objectives in the categories of efficiency and effectiveness of the operations it pursues (service provision or production of goods), reliability of financial reporting, and compliance with laws and regulations applicable in the area or industry in which it operates. It is important therefore that some means like operational auditing, is set to ensure the state of effectiveness of such a system is always being improved.

At KDC stand-alone titled operational audits on the internal control system are not conducted. But evaluations for the same are conducted in the course of financial and compliance audits by the internal audit unit. Regarding the methods the internal audit unit uses in undertaking such evaluations; tracing transactions, observation of the procedures, examining client's documents, reviewing previous audit work, interviews with client's staffs, client's own documentation of a system; are the ones that have been found to be in use at KDC.

Bearing in mind that costs incurred in establishing and implementing the internal control system must not exceed the benefits expected from the same, the fact that hinders instituting some of the internal controls in some organizations however good such controls may appear to be, the economy, efficiency and effectiveness of the methods used by internal auditors in ascertaining the effectiveness of the KDC’s
internal control, as one of the implementation means, were assessed and it was found that neither of the three aspects can be referred to as very good, or bad, or very bad, they are just good or moderately good, meaning that efforts must therefore be made by the KDC’s internal audit unit to ensure in the course of applying these methods; economy is translated into conducting quality operational audits on the IC at minimum possible costs, efficiency is translated into outcomes of operational audits on IC being positive as related to costs incurred, and effectiveness is translated into consuming equal to budgeted or less costs in the course conducting operational audits on IC.

The reliability of financial reports produced by the KDC was also assessed and findings revealed good practices such as the KDC’s financial reports being reviewed by the required parties before they are sent to external auditors, and being audited by the external auditors and published. Also, assessments were made regarding the enhancement of reliability of the financial reports by the audit committee’s performance, management’s commitment to competence, external audit opinions, and audit queries. The audit committee was found to be inefficient and it is recommended that the KDC’s management should review its trend of working. The management’s commitment of ensuring competent workers are employed to work in the accounting and auditing departments was also found to be enhancing the financial reports reliability.

However, in the course of documentary reviews, findings showed that there are inadequately competent staffs in the areas of IT and quality assurance services an issue that result into the KDC’s internal control having inadequate IT control environment and lack of risk management framework. It is advised that the KDC employs some highly qualified people in those areas. The trend of the audit opinion that was assessed for five consecutive up 2011/12 fiscal year also substantiate the enhancement of reliable financial statements as in all the period under review the KDC had an unqualified audit opinion. Regarding the trend of audit queries, it was found that when the internal auditor raises many audit queries and they are worked
upon, the number of queries raised by the external auditor falls, a trend that also enhances the reliability of financial statements.

6.3 Conclusions
This study carried out the assessment of the contribution of operational auditing in improving the effectiveness of the internal control in LGAs of Tanzania, in which a case of KDC was taken. It specifically explored the methods used by internal auditors in ascertaining the effectiveness of the internal control, the enhancement of the reliability of financial reports produced at KDC, and the efficiency and effectiveness of the KDC in the provision of services.

However, it was difficult to achieve the main objective of the study in the most straightforward way. The interpretation of the information obtained in the face-to-face interview with the internal audit staff members; is that, the operational audits on the KDC’s IC referred to are the evaluations on the same which are normally carried out in the course of conducting financial and compliance audits. This means there are no stand-alone audits titled “operational auditing on the internal control” meaning that the KDC’s IC is insufficiently appraised during the financial and compliance audits thus leading to its ineffectiveness. Efforts must be made to ensure laws and regulations requiring the conduct of operational audits on the IC of LGAs, the KDC’s inclusive, are adhered to and the internal auditors are facilitated to do so.

Uzay (2012) says operational auditing is mainly the work of internal auditors and governmental auditors and such operational auditors have an overall objective to assess the quality of internal controls for an area, including its effectiveness and efficiency of operations, reliability of the financial reporting, and compliance with applicable laws and regulations.

6.4 Policy Implications
The research findings have resulted into at least two implications the URT government should consider in its policies. One, evaluations for effectiveness of internal control systems of LGAs through financial or compliance audits, do not give
better results than if such evaluations are separately conducted under stand-alone titled audits. Following the importance the internal control systems have in ensuring that LGAs achieve their objectives, there is a need that the URT government sets a policy that the internal control systems of LGAs are evaluated by separate means such as operational audits, that is, operational audits on the internal control systems. This should also be associated with imposing an internal control framework that must be followed by all LGAs in the establishment and implementation of internal control systems. Two, the URT government should also review Order Number 12 (2) and (3) of its LAFM (2010) which guides the composition of the audit committee so that it complies with the International Auditing Standards which require the committee having members who are non-executive in the routine operations of an organization. This is necessary because the audit committee has a very great role including the approval of the internal audit annual programme and strategic audit plans of the council and review of internal and external audit reports. How can these duties be meaningful while the doer is one of the auditees?

6.5 Areas for Further Research

Given the fact that this research has been conducted in response to the problem of ineffectiveness of IC at KDC, further studies must be made in other LGAs so as to explore more findings and conclusions that may be of help in ensuring operational audits assist LGAs in having effective internal control systems, thus being reasonably assured that their objectives in operational efficiency and effectiveness, financial reporting, and compliance with applicable laws and regulations, are achieved.
REFERENCES


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https://iibf.erciyes.edu.tr/akademi/mh/suzay/d8suzay.pdf


APPENDICES

APPENDIX 1: QUESTIONNAIRE

Dear Respondent,

I am a student of Master of Science in Accounting and Finance of Mzumbe University. The questionnaire presented to you is aimed at sharing the information you have in the study of assessing the contribution of operational auditing in improving the effectiveness of internal control of Kisarawe District Council (KDC). You have been selected to take part in this study due to importance of your position at KDC and the relevance of information you have to the study. The information you’ll provide is going to be used solely for the purpose of this academic research and shall be treated with utmost confidentiality.

You are kindly requested to provide relevant information by making a tick or providing explanatory answers in the spaces provided.

Section A: Respondent’s Information

<table>
<thead>
<tr>
<th>Sex</th>
<th>Female</th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience of work</td>
<td>Less than 2 year</td>
<td>2 to 5 years</td>
</tr>
<tr>
<td>Education</td>
<td>Diploma</td>
<td>Advanced Diploma or Bachelor</td>
</tr>
</tbody>
</table>

Section B: Methods Used in Ascertaining the Effectiveness of Internal Control

1. Is the council having an internal audit unit?
   (a) Yes [ ]
   (b) No [ ]

2. How many members are there in the internal audit unit? ___
3. Is the internal audit unit well staffed professionally, experience wise, and in number, for conducting operational audits on the council’s internal control system?
   (a) Yes [   ]
   (b) No [   ]
   If No, what are the constraints?

4. Are operational audits on the internal control system conducted in the KDC?
   (a) Yes [   ]
   (b) No [   ]
   (c) Do not know [   ]
   If Yes who conduct(s) them?

5. Is the council audit committee having any member(s) with accounting and auditing background?
   (a) Yes [   ]
   (b) No [   ]

6. Does the council audit committee meet in its regular basis as required by the United Republic of Tanzania Local Authority Financial Memorandum?
   (a) Yes [   ]
   (b) No [   ]

7. From the following methods of ascertaining the internal control, show which one (s) is applicable:

<table>
<thead>
<tr>
<th>Methods</th>
<th>Applicable</th>
<th>Not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reviewing previous audit work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Client’s own documentation of a system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interviews with client’s staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tracing transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Examining client’s documents</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8. In each of the above methods show the frequency of being used, rank from 1 (very rarely used), 2 (rarely used), 3 (moderately used), 4 (frequently used), and 5 (very frequently used)

<table>
<thead>
<tr>
<th>Methods</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reviewing previous audit work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Client’s documentation of a system</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interviews with client’s staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tracing transactions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Examining client’s documents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observation of procedures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. Is the council management committed to ensure competence levels are translated into the accomplishment of tasks by individual council workers?
   (a) Yes [   ]
   (b) No [   ]

   If No, comment briefly.

   __________________________________________________________________________

10. In applying the above methods (any one applied) did it result to economy, efficiency and effectiveness? Rank each from 1 (strongly agree), 2 (agree), 3 (moderately agree), 4 (agree), to 5 (strongly disagree).

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy- conducting quality operational audits on IC at minimum possible costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficiency- maximizing outcomes of operational audits on IC using minimum possible original costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effectiveness- achievement of objectives of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION C: Reliability of Financial Reports

11. Does the council publish its financial statements?
   (a) Yes [   ]
   (b) No [   ]

12. Are the published financial statements audited by external parties?
   (a) Yes [   ], mention the external party ______________________
   (b) No [   ]

13. The council financial statements involves the following parties before they are sent to external auditors:

<table>
<thead>
<tr>
<th>Members</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and Accounting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staffs</td>
<td></td>
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<td>Internal Auditors</td>
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<td>Audit committee members</td>
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<td>Heads of departments/sections</td>
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14. Show the opinion provided by auditors for five consecutive fiscal years (Documentary based).

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15. Extract the number of queries raised during the five fiscal years (Documentary based).

|------------|-----------|-----------|-----------|-----------|-----------|
### SECTION D: Effectiveness and Efficiency in the Provision of Services

16. If effectiveness is measured by actual costs against budgeted costs incurred in providing services to the community, rank the services provision in each of the following department of the KDC, from 1 (very effective), 2 (effective), 3 (moderately effective), 4 (ineffective), and 5 (very ineffective).

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17. If efficiency is measured by the maximization of the output services at minimum original costs, how do you rank the efficiency of the following departments in their service provision? Rank from 1 (very efficient), 2 (efficient), 3 (moderately efficient), 4 (inefficient), to 5 (very inefficient).
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THANK YOU
APPENDIX 2: INTERVIEW GUIDE

Section A: Structured Interview

1. Are reports of operational audits on the internal control of KDC available in your office?
2. Are the reports not part of financial or compliance audits?

Section B: Unstructured Interview

1. Audit committee members from outside the KDC.
2. Implementation of the operational audit recommendations for improving the effectiveness of the internal control system.
3. Need for multidisciplinary profession internal audit unit in carrying out operational auditing on the internal control system and outsourcing of the same.