

**ASSESSMENT OF THE OF EFFECTIVENESS OF INTERNAL
AUDIT ON LOCAL GOVERNMENT AUTHORITIES IN
TANZANIA**

CASE OF MUFINDI DISTRICT COUNCIL

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By

Erick Anthony

**A Dissertation Submitted in Partial Fulfillment of the Requirements for the Award
of the Degree of Master of Science in Accounting and Finance (Msc. A&F) of
Mzumbe University**

2015

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by Mzumbe University, a dissertation entitled; **Assessment of Effectiveness of Internal Audit on Local Government Authorities in Tanzania; Case of Mufindi District Council**, in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Accounting and Finance (Msc.A&F) of Mzumbe University

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DECLARATION

I, **Erick Anthony**, I 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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DEDICATION

I dedicate this research report to my parents Mr. & Mrs. Anthony Ntikahera for their endless and unconditional love, care and encourage me during my academic struggle. God bless them.

LIST OF ABBREVIATIONS

CAG	Controller and Auditor General
DED	District Executive Director
EPD	Electronic Data Processing
HOD	Head of Departments
VIF	Variance Inflation Factor
IAG	Internal Audit General
IAGD	Internal Audit General Division
IIA	Institute of Internal Audits
IPPF	International Professional Practices Framework
LAFM	Local Authority Financial Memorandum
LAAC	Local Authority Auditing Committee
LAFMA	Local Authority Financial Act
PMO-RALG	Prime Ministry Office Regional Administrative and Local Government
LGAs	Local Government Authorities
LGCDG	Local Government Capital Development Grant
MDC	Mufindi District Council
MOFEA	Ministry Of Finance and Economic Affairs
PFAC	Public Finance Act
SPSS	Statistical Package for the Social Sciences

ABSTRACT

The study was about assessing the effectiveness of Internal Audit on Local Government Authorities in Tanzania, a case of Mufindi District Council. The major objective of the study was to assess the effectiveness of Internal Audit in Local Government Authorities performance.

The specific objectives were; to assess the effectiveness level of Internal Audit of MDC, to examine the relationship between Effectiveness of Internal Audits and Financial Performance of MDC and to examine the factors that affect Effectiveness of Internal Audits of MDC.

The study used correlational study in order to understand the important variable influenced effectiveness of Internal Audit at MDC. Mufindi district council was chosen by researcher to represent the case. In carrying out such study, the following independent variables; professional proficiency of Internal Audits, organizational independence, quality of audit work, and top management support were used to assess how it influence effectiveness of Internal Audit at MDC.

The study was carried out in two stages, at a first stage the relationship between dependent variable (effectiveness of Internal Audit) and independent variables (professional proficiency of Internal Audits, organizational independence, and quality of audit work, and top management support) was assessed and at second stage effectiveness of Internal Audit was assessed to find out if they influence on one aspect of financial performance of MDC.

Purposive sampling method was used during the process of data collection, on which 82 respondents were selected. In carrying out a purposive sampling technique the study used judgment sampling design which is one of types of purposive sampling technique. Data collected came from both Primary sources and Secondary sources. Data collection tools used was Documentary review and Questionnaire. Both multiple regression analysis and correlational analysis were used to analyse data.

The findings show that;

During the assessment of effectiveness level of Internal Audit at MDC, the findings indicate that there was inter-correlation between independent variables (Top Management Support, Quality of Audit Work, Professional Proficiency, and Organisational Independence) and dependent variables (Effectiveness of Internal Audits) at MDC.

With other variables held constant, Effectiveness of Internal Audits positively related to Top Management Support, quality of Audit Work, and Professional Proficiency, but negatively related to Organisational Independence.

In assessing the relationship between effectiveness of Internal Audit and performance of MDC, the finding indicated that, effectiveness of Internal Audit of MDC influence the financial performance of MDC. This means that the financial performances of MDC depending on other factors include effectiveness of Internal Audit.

The study concludes that despite the fact that the independent variables used to assess the effectiveness of Internal Audit show a highly correlated to effectiveness of Internal Audit the Internal Audit at MDC is on average effective. This is because the unit is understaffing and not being fully independent.

It is recommended that, first Top management should increase both monetary and non monetary support to Internal Audit in order for them to handle their activities.

Second Internal Audit staff should improve the quality of audit work in order for them to add value to their organisations.

Third, Ministry responsible for LGAs and IAG should make sure that the level of independence of Internal Audit staff been improved.

Forth Ministry responsible for LGAs and IAG should increase the Internal Audit budget in order for them to complete their activities as planned.

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CHAPTER ONE

INTRODUCTION AND PROBLEM SETTING

1.1 Background of the Problem

Internal Auditing act as catalyst for improving organization's governance, risk management, and management controls by providing insight and recommendations based on analyses and assessments of data and business processes. It helps an organization to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance issues. (Controller and Auditor General (CAG), 2013)

Internal Auditing began as one person clerical procedure that consisted primarily of performing independent verification of bills before payment (Boynton and Kell, 1996).

In the past, Internal Audits did not need to consider the importance of adding value when performing their work assignment. The auditor's role was often more kin to that of a police officer than a business partner. (Lundin, 2009)

In the early 1900s, the emphasis on auditing shifted from the detection of fraud to the needs of the various users of financial statements. After the 1940s, Internal Audit entered its golden developing period, in which the theory of Internal Audit began systematically taking shape and Internal Audit organizations also came to the fore. (Guy et al., 1996)

Today's Auditors, however, must be much more attuned to opportunities for enhancement, as adding value is widely considered as integral part of the audit process. To a degree, Internal Audits add value simply by performing their functions effectively and efficiently. (Lundin, 2009)

An effective Internal Audit is required to appraise on the soundness and application of accounting, financial and operational controls within the organisation by performing systematic review, reporting of the adequacy and effectiveness of the managerial, financial, operational systems and budgetary controls. (CAG, 2012)

Internal Audit function has received increasing attention as an important component of government financial management and a tool for improving the performance of government sectors. (International Monetary Fund, 2002)

Onoja *et al* (2013) notice that...*“Due to growing size and complexity of public sector, the importance of the Internal Audit has correspondingly increased so that today is a major factor in establishing the quality of the public sector internal control and its development has made a considerable contribution to the improvement of the public sector management”*.

In Tanzania the Internal Audit services were established in 1961 and were governed by exchequer and Audit Ordinance of 1961. During that period, each Ministry, Region and department were required to establish an Internal Audit, and the Ministry of Finance was responsible for recruitment and supervising the function of Internal Audit. The Internal Audit was headed by Internal Audit and there were no scheme of service for the Internal Audit cadre. The head of Internal Audit was required to report to accounting officer and there were no other oversight committee to oversee the function of Internal Audit (Operational plan, 2012).

In the year 2001, the Exchequer and Audit Ordinance were repealed and the Public Finance Act (PFAC) of 2001 was enacted and its regulations of 2001 which strengthened Internal Audit service. The Internal Audit functions were described in this Act. Despite of changes in PFAC and its regulations there was still no scheme of service for Internal Audits and subsequently the functions of the Internal Audits continued to be executed by Accountants. (Operational plan, 2012).

The functions and organization structure of Ministry Of Finance and Economic Affairs (MOFEA) was reviewed and the systems finally Internal Audit section was established under Accountant General's Division with the aim of strengthening, supervising and building the capacity of Internal Audits. (Operational plan, 2012)

In 2010 the PFAC was amended to establish the Internal Audit General Division (IAGD) headed by Internal Audit General (IAG) who report to the paymaster General and is responsible for developing Internal Audit policies, rules, standard, manuals and guidelines. Also is responsible to review and appraise compliance to laid down laws, regulation, standards, system and procedures and ensure control and proper accountability of public monies and property of government and donor funded project. (Operational plan, 2012)

The IAGD was fully in operation from July, 2011 having five sections namely Quality Assurance Section, Budget and payroll Audit Section, Technical Audit Section, Local Governance Authority Section and Risk Management Systems and Control Section. (Operational plan, 2012).

The IAG charged with the responsibility of supervising and monitoring Internal Audit services in Ministries, Departments, Regional Secretariats, Local Government Authorities, Executive Agencies and Donor funded Project (The Public Finance Act, 2010).

The current status of Internal Audit staff of public sector in Tanzania according to the report of contribution of 4th Government of Dr.Jakaya Kikwete's contribution on performance of auditing institution of 2014, indicate that the training and capacity building to Internal Auditors increased to 63% in a year 2013/2014; the number of Internal Audit staff employed increased to 43% in year 2013/2014, the number of vehicles increased to 250% in year 2013/2014.

Recently according to Onoja et al (2013) notice that ...*“There is constant complaint in the public sectors that Internal Audit department is too understaffed and under resourced generally to be fully ineffective. There exist a lot of arrears of work due to*

inadequate staffing of Internal Audit Departments. There is inadequate knowledge of Electronic Data Processing (EDP) and Computer for efficient auditing of computerized systems. Most of the public sector management working papers do not provide adequate documentation because of this problem. Staff of the Internal Audit department is not well remunerated and it makes them to lack interest in their work”.

An effective Internal Audit is required to appraise on the soundness and application of accounting, financial and operational controls within the Council by performing systematic review, reporting of the adequacy and effectiveness of the managerial, financial, operational systems and budgetary controls. (CAG, 2012)

Further, Sect. 45 (1) of The Local Government Finance Act (LAFA), 1982 (revised 2000) and Order 13 of the Local Authorities Financial Memorandum (LAFM), 2009 requires the Accounting Officers of each Council to establish and maintain an effective Internal Audit as part of the organization’s framework of internal controls.

The report of CAG, (2010) for Local Government Authorities (LGAs), indicates that ...*”There was poor performance among LGAs; one of the factors for such poor performance was due to ineffectiveness of Internal Audits function”.*

The report of CAG, (2011) for LGAs, recommended that ...*“Internal Audits in some LGAs are not effective. The report said that majority of Councils have few or nothing at all Internal Audit workers, poor working environment, lack of support and assistance from other Department”.*

Also the report of CAG (2012) on LGAs recommends that... *“Misappropriation of public funds in 106 LGAs audited among other factors was caused by ineffectiveness of the Internal Audits. The report indicate that the reasons for the ineffectiveness of Internal Audit was due to the fact that, the unit continues to be understaffed with some having one to two staff and is inadequately funded. The audit coverage and scope of Internal Audit functions during the year was limited due to inadequate resources, the*

position of Internal Audit in the governance framework as well as roles and responsibilities were not clearly articulated in the Internal Audit charters, lack of audit working paper files which could facilitate the review process and form the basis of audit findings and recommendations contained in the Internal Audit reports”.

In order to strengthen effectiveness and efficiency of Internal Audit functions in public sectors, in 2010 Tanzania established the IAGD. The Internal Audit General position charged with the responsibility of supervising and monitoring Internal Audit services in Ministries, Departments, Regional Secretariats, Local Government Authorities, Executive Agencies and Donor funded Project (Operational plan, 2012).

Also for the purposes of strengthening the Internal Audit functions by referring to CAG general report on LGAs 2011/2012 .The report show that the Internal Audit General in collaboration with the Prime Ministry Office Regional Administrative and local Government

(PMO – RALG) has conducted training during February and March 2012 which focused on the Internal Audits hand book which is a practical guide for Internal Audit’s work. (CAG, 2012)

To show still there was a problem of ineffectiveness of Internal Audit among LGAs for a financial year 2012/2013, CAG recommend that LGAs’ management in collaboration with the PMO-RALG and the IAGD under the MOFEA to strengthen the effectiveness of Internal Audit through the provision of sufficient financial and human resources. Also Internal Audits should be updated with adequate knowledge and skills for them to be able to enhance performance. Further , the report indicate that the Internal Audits in 102 LGAs had no adequate resources including financial and other resources , working tools like motor vehicles, computers, photocopiers, scanners etc. The Units continued to be understaffed, with 13 LGAs having one to two Staff.

Taking into account the diversity of the LGAs’ activities, one or two auditors are not adequate to sufficiently cover risk areas in their audit. (CAG, 2013)

Recently report of Local Authority Auditing Committee (LAAC), 2013 reported in the Parliament of United Republic of Tanzania showed that, *“There is still poor performance of some LGAs in Tanzania which was caused by the ineffectiveness of Internal Audit to perform their functions properly which in turn contributed to increase fraud and assets misappropriation”*.

1.2. Background of the Organisation

Mufindi District Council was established in 1964 under the Local Government Act No.7 of 1982 (Cap 287) and the local Government Finance Act No.9 of 1982 (Cap290).

The Vision of the Council is to see its people having sustainable and better life and the Mission of MDC is , in collaboration with internal and external stakeholders is committed to facilitate delivery of sustainable good services by considering priorities set by stakeholders through the use of available and expected resources by the year 2025. (MDC Strategic Plan 2012)

Administratively the district is divided into 5 divisions of Ifwagi, Sadani, Kibengu, Kasanga and Malangali. The the district had 30 wards and 125 villages and 16 streets.

The district has an area of 7123sq.km of which 95%, that is 6,166,000 ha is arable land. The area under cultivation is 1,332,000 ha (19.6%) and Forest Reserves cover 47,338ha (MDC Strategic Plan 2012).

MDC is one of the 4 administrative areas of Iringa Region after establishment of new Njombe region. It is located 80Km South of Iringa Municipal. Geographically the district is located at 30-36⁰ longitudes east and latitudes 8⁰-9⁰ south. It is bordered by Wanging'ombe District (Njombe region) to the south, Mbarali District (Mbeya Region) to the West and Iringa District to the North. To the North East lies Kilolo district (MDC Strategic Plan 2012).

According to MDC Strategic Plan, (2012) Mufindi District had population of 272,071 people of whom 133, 150 (47.2 %) were males and 148,921 (52.8) were Females which is 19 percent of total region (1,490,892) population. (MDC Strategic Plan 2012)

Annual average growth rate of population is about 1.5 percent, the district is estimated to have 330,654 populations of whom 160,893 are males and females are 169,761 in the year 2012. The population growth rate of 1.5 percent is below Iringa regional average of 1.6 percent as well as the national average growth rate of 2.4. The district per capita income is 1,206,617. (MDC Strategic Plan 2012)

The functions and duties of the Council includes ; to maintain and facilitate the maintenance of peace, order and good governance within area of jurisdiction, to promote the social welfare and economic wellbeing of all persons within area of jurisdiction and subject to National Policy and plans for rural and urban development and further economic development of its area of jurisdiction. (MDC Strategic Plan, 2012)

1.3. Statement of the problem

Currently Tanzania is facing with a problem of ineffective of Internal Audit in some LGAs. According to reports of CAG for LGAs on financial years 2010/2011, 2011/2012, 2012/2013 and 2013/2014 indicate that some LGAs faced with a problem of ineffective of the Internal Audits.

Report of CAG for LGAs on financial years of 2010/2011, 2011/2012 indicate that, Internal Audit was not effective due to the fact that, majority of Councils have few or nothing at all Internal Audit workers, poor working environment, lack of support from top management and assistance from other Department.

Also CAG report of 2012/2013 show the same problem .The report further stipulate that the reasons for the ineffective of Internal Audit in LGAs was due to the fact that, the unit continues to be understaffed with some having one to two staff and is inadequately funded. The audit coverage and scope of Internal Audit functions during the year was limited due to inadequate resources, the position of Internal Audit in the

governance framework as well as roles and responsibilities were not clearly articulated in the Internal Audit charters, lack of audit working paper files which could facilitate the review process and form the basis of audit findings and recommendations contained in the Internal Audit reports.

Despite of the efforts done by Government for the purpose of improving effectiveness of Internal Audits in order to improve performance of LGAs, such as establishing Internal Audit General position according to PFAC, (2010) and increase budget of Internal Audits, increase the number of Internal Audit staff ,increase the number of vehicles and facilitating capacity building to Internal Audit staff this is according to the report of contribution of 4th Government of Dr.Jakaya Kikwete's contribution on performance of auditing institution of 2014 . CAG reports for LGAs of financial year 2013/2014 indicate that still there is a problem of ineffective of Internal Audit among LGAs.

This situation of ineffectiveness of Internal Audit among LGAs in Tanzania according to CAG of financial year 2010/2011, 2011/2012, 2012/2013 and 2013/2014 is one of the reason that influenced the researcher to assess the effectiveness of Internal Audit at MDC. The study is all about the assessing the effectiveness of Internal Audit on Local Government Authorities in Tanzania, a case of Mufindi District Council.

1.4 Objectives of the proposed Study

1.4.1 General Objective

The general objective of the study was to assess the effectiveness of Internal Audit in LGAs.

1.4.2 Specific Objective

The specific objectives of study were;

- a) To assess the effectiveness level of Internal Audit of MDC
- b) To examine the relationship between effectiveness of Internal Audits and performance of MDC.

- c) To examine the factors that affect effectiveness of Internal Audits and performance of MDC.

1.5. Research Questions

For the purpose of dealing with the above problem, the study was focused to answer the following research questions.

- a) How is the effectiveness of the Internal Audits at Mufindi District Council?
- b) What is the relationship between effectiveness of Internal Audits and financial performance of MDC?
- c) What are the factors that affect effectiveness of Internal Audit and performance of MDC?

1.6 Significance of the Study

The study will contribute to the understanding on the effectiveness of Internal Audits in performance management in LGAs in Tanzania. The study would also add literature review to the already established literature and articles about the finding hence acting as a source of literature review to the future academician at that field.

Further the study will help to bring out the ineffectiveness of Internal Auditing mostly found at MDC which can help other council to improve their performance. The study also will help the researcher to acquire practical skills that would help in carrying out more researches in other area in some future time.

1.7 Scope of the Study

The study focused on assessing the effectiveness of Internal Audit on LGAs in Tanzania, a case of MDC .Further, effectiveness of Internal Audit was assessed to find out if they influence on one aspect of financial performance of MDC.

In this study the head of departments, section and their subordinates, members of audit committee and Member of finance committee was taken as sample of the study.

The study considered information collected covered the period from 2010 to 2014. The period of four years was chosen because it was long enough for the researcher to establish the bases of assessing the effectiveness of Internal Audit at MDC.

1.8 Organisation of the Study

The study is organized in six chapters. Chapter one provides the background of the study, problem statement, research questions, research objectives and research significance.

Chapter two contains literature review and previous research that are related to this study. The review presented in this chapter includes the concept of Internal Audit, roles and duties of Internal Audits, scope of Internal Audit services, the concept of Internal Audit effectiveness, reasons for ineffectiveness of Internal Auditing in the public sector, the economic implications of an ineffective auditing system in public sector management, empirical literature review, conceptual framework and research model and hypotheses

Chapter three describes the research methods used in data collection, analysis and presentation. The chapter also provides a description of type of the study, study area, 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.

Chapter four presents study findings after conducting some analysis from Statistical Package for the Social Sciences (SPSS). The findings were organized in a five section. First part of the chapter provides the background characteristics of the respondents in term of their Age, Sex, Marital status, Education level, Managerial level and working experience. Second part entails the findings relating to assessment of effectiveness level of Internal Audit at MDC. Third part of the chapter provides findings relating to the assessment of relationship between effectiveness of Internal Audit and financial performance of MDC. Fourth part of the chapter provides the finding relating to other

factors affecting effectiveness of Internal Audit and the last part of the chapter provides the finding from documentary reviews.

Chapter five presents discussion of findings from the study after conducting some analysis from SPSS. The findings were organized as follows: First part of the chapter provides the discussion on background characteristics of the respondents in terms of their Age, Sex, Marital status, Education level, Managerial level and working experience , the second part of the chapter entails the discussion of findings relating to assessment of effectiveness level of Internal Audit at MDC, the third part of the chapter provides discussion of findings relating to the assessment of relationship between effectiveness of Internal Audit and performance of MDC and the last part of the chapter provides the discussion of finding relating to other factors affecting effectiveness of Internal Audit and chapter 6, present summary of findings ,conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is about literature review. It presents both the Theoretical review and Empirical review of the subject matter on effectiveness of Internal Audit.

With the theoretical literature review the study will focus on the conceptual definition of the concept of Internal Audit and its related terms, roles and duties of Internal Audit, scope of Internal Audit services, the concept of Internal Audit effectiveness, reasons for ineffectiveness of Internal Auditing in the public sector, the economic implications of ineffective auditing system in a public sector management.

The empirical part discusses findings from various works which attempted to study problem related to effectiveness of Internal Audit, also conceptual framework and research model of study was presented.

2.2 Theoretical Literature Review

2.2.1 The Concept of Internal Audit

There are several definitions and concept regarding to Internal Auditing, The Institute of Internal Audits (IIA)'s International Professional Practices Framework (IPPF),(2010) , defines Internal Auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

IIA, 1978 defined Internal Audit as an... *“Independent appraisal activity established within an organization as a service to the organization. It is controls which function by examining and evaluating the adequacy and effectiveness of other controls”*.

According to Manasseh (2007), Internal Auditing is a constant independent appraisal of the organization's activities in a bid to ensure that the company runs in an orderly manner and is managed better so as to ensure strong controls in such organizations.

The aim of Internal Auditing is to improve organizational performance and to improve the quality of management's understanding of internal control and risk management by providing assistance to management on the clear identification of risks across the total spectrum of the organization also it strengthen the financial management discipline (Internal Audit Manual for LGAs, 2013).

Unegbu and Obi (2007) claims that Internal Audit measures, analyses and evaluates the efficiency and effectiveness of other controls established by management in order to ensure smooth administration, control cost minimization, ensure capacity utilization and maximum benefit derivation. The Internal Audit support enhances the system of responsibility that the executive directors and employees have towards the owners and other stakeholders (Eighme and Cashell, 2002).

Internal Audit determines the reliability, reality, and integrity of financial and operational information that comes from different organizational units, on which appropriate business decisions at all levels of management are based. (Ljubisavljevic and Jovanovi, 2011)

2.2.2 Roles and Duties of Internal Audits

On reviewing Internal Audit general's audit charter (2012), LAFM, (2009) and PFAC, (2010), the responsibility of Internal Audits include;

- a) To prepare an annual audit plan using an appropriate risk-based methodology and submit to audit committee and accounting officer for review and approve and have a copy sent to the office of controller and auditor general, Minister responsible for Local government, Internal Audit general and regional commissioner by not later than 15 of July of the year.

- b) To implement approved annual audit plan including any special task or projects requested by, management, audit committee and IAG or other competent Authority as the case may be necessary provisions must be made in the annual plan for such special tasks or projects.
- c) To prepare and submit dated reports direct to the accounting officer for action and onward transmission to the Finance committee and Audit committee. The accounting officer will send a copy to the CAG, Permanent secretary, Minister responsible for Local government and RAS within 15 working days from the date of receiving the report.
- d) To issue a periodic report to the Management, Audit committee and IAG summarizing results of audit activities.
- e) To put in place mechanism for tracking implementation of recommendations made in the audit report.
- f) Conduct special reviews or studies as requested by the management or Audit committee or IAG.
- g) Always perform his duties professional and any comments, observations must be in adequately and place, failure to observe professional ethics shall lender the auditor personally responsible for any faulty conclusions arising from that audit.
- h) To perform their duties in accordance with the standards for the Professional Practice of Internal Auditing and Internal Audit Code of ethics as well as other professional auditing standards that may be applicable.
- i) Assist in investigation of significant suspected fraudulent activities and inform management on results.
- j) To review and report on proper control over the receipts, custody and utilization of all financial resources of the council.
- k) To review and report on compliance with financial and operational procedures laid down in any written law, instruction and good accounting

practice as defined by the Minister from time to time in order to insure sound financial practices.

- l) To review and report on the correct classification and allocation of revenue and expenditure accounts.
- m) To review and report on the reliability and Integrity of financial and operating data in order to allow for the preparation of accurate financial statements and other reports, and
- n) To review and report on the systems in place which are used to safeguard assets.
- o) Assist management on follow up of external auditors or regulatory reports and recommendations.
- p) To establish quality assurance programme.
- q) To maintain staff with sufficient knowledge.

According to Unegbu and Kida, (2011), General duties of an Internal Audit in the public sector management include the following:

- a) An audited copy of a statement of the accounts is to be submitted in a prescribed form together with any report to the appropriate minister or secretary of state who in turn presents the accounts before the National Assembly.
- b) The auditors must state whether the accounts in their opinion give a true and fair view of the operation affairs.
- c) The auditor must state whether the accounts give all the information required under enabling statute.
- d) The auditors will normally report if they are not satisfied with any aspects of the financial statements.

2.2.3 Scope of Internal Audit Services

On reviewing of IAG's Internal Audit charter (2012), LAFM, (2009) and PFAC (2010), the Internal Audit

- a) Reviewing and monitoring framework of risk management to ensure that risks are appropriately identified and managed.

- b) Reviewing governance process to ensure that interaction with various governance groups occurs as needed.
- c) Reviewing policies, plan, procedures, laws and regulations that could have a significant impact on operations to determine whether an entity is in overall compliance.
- d) Reviewing the reliability and integrity of financial and operating information and the means used to identify measure, classify and report such information.
- e) Reviewing the systems established to ensure compliance with those policies plans, procedures, laws and regulations which could have a significant impact on operations and reports and whether the organization is in compliance.
- f) Reviewing the means of safeguarding assets and an appropriate, verifying the existence of such assets.
- g) Reviewing and appraising the economy, efficiency and effectiveness with which resources are employed.
- h) Reviewing operations and programs to ascertain whether results are consistent with established objectives and goal and whether the operations or programs are being carried out as planned.

Furthermore, Banking Prudential Guidelines of Eastern Caribbean Central Bank (2006) notice that the scope of Internal Audit functions should focus on, but not be limited to:

- a) Examining and evaluating the adequacy and effectiveness of the internal control systems, including information technology controls, and considers the impact over annual and interim financial reporting. This should include:
 - Reliability and integrity of financial and operational information systems;
 - Effectiveness and efficiency of operations;
 - Safeguarding of assets;
 - Compliance with laws, regulations and controls.
- b) Reviewing the application and effectiveness of risk management procedures and risk assessment methodologies.

- c) Reviewing the financial institution's system of assessing adequacy of its capital in relation to the estimate of risk to capital.
- d) Appraising the efficiency and effectiveness of operations given the current operating environment.
- e) Testing transactions and internal control procedures.
- f) Analyzing systems established to ensure compliance with legal and regulatory requirements, codes of conduct and the institution's policies and procedures.
- g) Testing the reliability and timeliness of regulatory reporting and
- h) Conducting special investigations.

2.2.4 The Concept of Effectiveness of Internal Audit

Effectiveness of Internal Audit means the extent to which an Internal Audit office meets its purposes (Mihret and Yismaw, 2007).

Badara and Saidin (2013) define Internal Audit effectiveness as the ability of the auditors either internal or external to achieve established objective within the organization.

In addition, IIA 2010 defined Internal Audit effectiveness as the degree to which established objectives are achieved.

Effective Internal Audits carry out an independent evaluation of the financial and operating information systems and procedures with a view to provide good recommendations for improvements (Mihret and Yismaw, 2007).

Effective Internal Audit function requires the head of the Internal Audit to report to management from time to time on the Internal Audit activities, authority, responsibility and performance relative to their plan. Similarly, Internal Audit effectiveness can also be enhance by ensuring consistency in the documentation of audit work, quality of reporting and proper implementation of their recommendation (Mihret and Yismaw, 2007).

2.2.5 Reasons for Ineffectiveness of Internal Auditing in the Public Sector Management.

Unegbu and Kida (2011) suggest the following reasons for ineffectiveness of Internal Auditing in the public sector management;

a) Lack of Audit Manual:

The absences of standardised Internal Audit manual affect the quality of work of Internal Audit

b) Lack of Growth Prospect:

Most Internal Audits who are professionally qualified accountants have been prevented from ascending to levels or status that is equivalent to those held by their professional colleagues in the finance/accounts department which in turn make them feeling of superiority to the Internal Audit.

c) Reporting Structure and Professional Independence:

The reporting structure and professional independent of Internal Audit in some organisation is questionable, this is due to the fact that the reporting line of Internal Audit impair their independent.

d) Scope of Work:

The absence of a proper definition of the duties, rights, privileges and limitations of the Internal Audits affect the performance of Internal Audit.

e) Privileges of Office:

The lack of adequate remuneration and pre-requisites of office has made some Internal Audits to compromise their professional and objectivity.

f) Hazards of Office:

There are many hazard that has been reported such as burglary, native medicine and acid attacks on the lives and properties of Internal Audits which impairs Internal Audit effectiveness and honest.

2.2.6 The Economic Implications of Ineffective Auditing System in a Public Sector Management

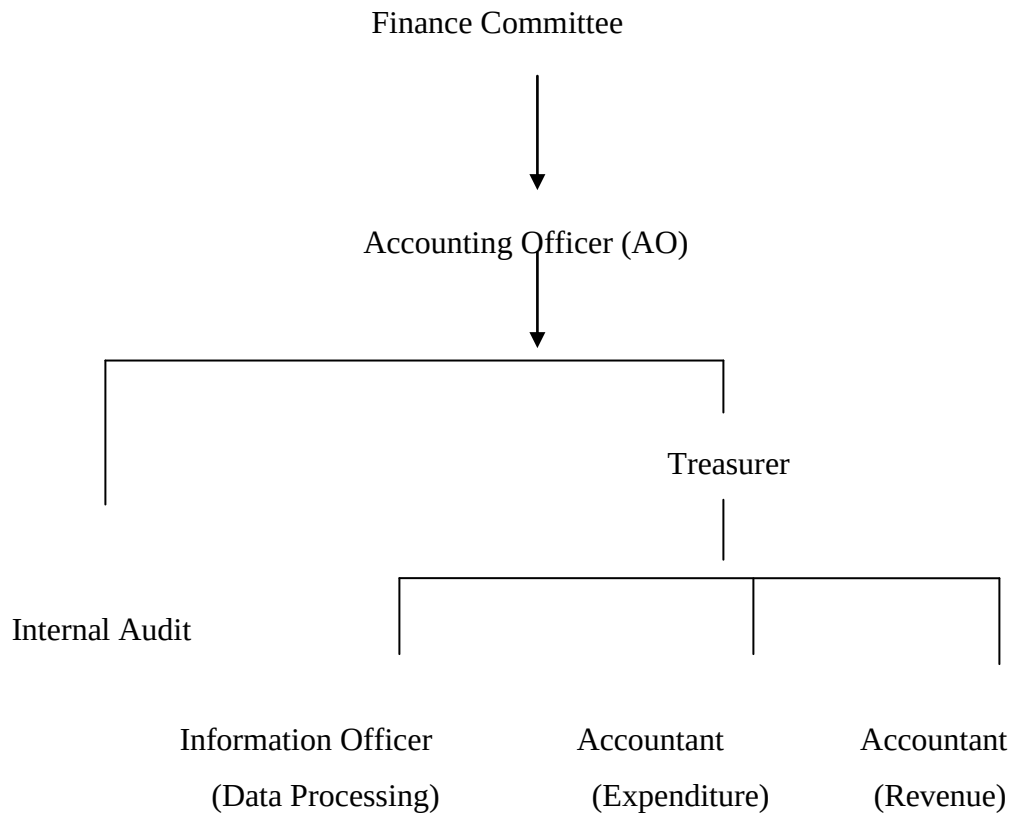
According to Unegbu and Kida, (2011), the economic implications of an ineffective auditing system in a public sector management are as follow:

- a) Inability to plan effectively due to the availability of unconfirmed financial operations of the enterprise in past years.
- b) Inability to make effective financial decision.
- c) Lack of credibility of enterprise before external entities-government financial house, creditors etc.
- d) Inadequacy of information about the enterprise's assets.
- e) Inability of the enterprise to rely on any proper statement on past, current and proposed future balance sheet on revenue sources, expenditure items, profits and losses.
- f) Difficulties in controlling the financial operations of the enterprise.
- g) There is the possibility of the emergence of fraud.
- h) Inability to detect easily the compliance of enterprise financial accounts with the requirement of law.

2.2.7 LGA Organizational Structure Pertaining the Internal Audit

The organizational structure, position and power of Internal Audit within the Council. The LAFM 2009...*“Stipulates that the Council Director is accountable for the establishment of an effective Internal Audit for the evaluation of the internal control system and inspection of value for money and ensure that the Internal Audit has full freedom for the completing of its functions within the Council and that its activities are conducted in a competent and well coordinated manner. In order to maintain the role of the Internal Audit function it should occupy the following position in the LGA's organization structure”*.

Figure 2.1: Organization structure



Source: Local Government Authorities Internal Audit Manual (2005)

2.3 Empirical Literature Review

Empirical Literature Review mean to say something about; the title of the work, where it was done, the statement of the problem, the research questions, objectives and significance, the main research variable and how they were measured or operationalized, sample size, how data was collected and analyzed and what were the findings and conclusions in relation to the research problem and literature reviewed (Ndunguru, 2007).

Generally, effectiveness of Internal Audit helps in improving an organization's governance, risk management and management controls by providing insight and

recommendations based on analyses and assessments of data, business processes and the financial reports that reflect the Internal Audit quality. Empirical, different study has been conducted concern the effectiveness of Internal Audit in relation to performance of organizations and other aspect.

For instance Onger, et al, (2011) conducted an assessment of the effectiveness of Internal Audit systems in the management of decentralized funds in Kenya at Kisii Municipal Council (KMC) A sample size of 62 respondents consisting of 2 top managers, 5 heads of department, 5 Councilors and 50 departmental employees were used. The authors concluded that Internal Audit systems were averagely effective and reason behind was due to lack of enough trained personnel in the department, the department not being fully independent, lack of division of duties and lack of close supervision of projects. This implies that the effectiveness and efficiency of Internal Audit systems of KMC need to be improved.

Also, Asairy (1993) evaluate the effectiveness of Internal Audit in Saudi joint stock companies. The researcher used a questionnaire, which he sent to the directors of Internal Audit departments, senior company management and external auditors from 38 companies. The author concluded that the effectiveness of Internal Audit was influenced by education, training, experience and professional qualifications of Internal Audits.

Furthermore Ahmad, et al (2009), studied on the effectiveness of Internal Audit in Malaysian in public sector. The study using 200 questionnaires were distributed to head of Internal Audits, Internal Audits and other staff of Internal Audit departments from various categories of public sector departments and agencies in Malaysia during the symposium. Overall, the findings of the study shown that lack of audit staff is ranked as the major problem faced by Internal Audits in conducting an effective Internal Auditing. According to study, this needs utmost consideration and attention of related parties such as the top management and the audit committee in their effort for sound governance and accountability in their organizations.

Arena and Azzone (2009), attempted to understand the organizational drivers of Internal Audit effectiveness using a questionnaire survey, and took a sample of 153 Italian companies. Their findings indicate that the Internal Audit effectiveness increases when; the ratio between the number of Internal Audits and employees grows the chief audit executive; the company adopts control risk self-assessment techniques, and the audit committee is involved in Internal Audit activities. Moreover, the authors highlighted the need for more detailed analysis to understand the impact of Internal Audits' competencies on Internal Audit effectiveness.

Albercht et al. (1988) investigated a theoretical framework in regard with the effectiveness of Internal Audit. Their finding indicating that Internal Audit effectiveness is affected by four areas such as an appropriate corporate environment, top management support, high quality Internal Audit staff and high quality Internal Audit work that the directors of Internal Audit departments could develop to enhance effectiveness.

Mihret and Yismaw (2007) in the paper titled "Internal Audit Effectiveness: An Ethiopian Public Sector Case Study", identified some factors that could have a significant impact on the Internal Audit effectiveness, based on a public sector higher educational institution in Ethiopia ,their findings indicated that Internal Audit effectiveness is affected by; Internal Audit quality, management support, and the organizational setting. The authors concluded that both the Internal Audit quality and management support have a strong influence on Internal Audit effectiveness. Further the researchers suggested a need for future research to understand the Internal Audit effectiveness by using other variables.

Yee et al. (2008) examined the perception of Singaporean managers about the role and the effectiveness of Internal Auditing. The data were collected using an interview format from a sample of 25 different organizations. The findings of the study indicated that the senior managers (the directors and financial controllers) to be generally satisfied with the professionalism and effectiveness of the Internal Audits, and appreciate the presence

of an Internal Auditing in the organization. The authors recommended the need to explore the role and effectiveness of Internal Auditing.

2.4 Conceptual Framework

Conceptual framework is conceptual models of how ones theories or makes logical sense of the relationships among the several factors that have been identified as important to the problem (Sekaran, 2003).

It works as a narrative outline or diagrammatic representation (or the combination of the two) of variables to be studied and hypothetical relationships between and among the variables, it can be rudimentary, theory-driven or common-sensual, descriptive or causal. (Sekaran, 2003)

Conceptual framework is an assemblage set of research concepts cum variables together with their logical relationships often presented in the form of diagrams, charts, graphs, pictographs, flow charts organ gram or mathematical equation. (Ndunguru, 2007)

Understanding the factors that determine Internal Audit effectiveness is very important because effectiveness of Internal Audit can improve four important processes in the organization such as learning, motivation, deterrence, and process improvements (Eden and Moriah 1996).

As regard to this study , the following factors; professional proficiency of Internal Audits, organizational independence, quality of audit work, and top management support were used to assess how it influence effectiveness of Internal Audit unit of Mufindi district council as study area.

The same variables were used by Cohen and Sayag, (2010) to evaluate the effectiveness of Internal Audit in Israeli Organisations. The findings indicated that there was significant correlation between perceptions of organizational independence and the quality of the auditing work function with effectiveness of Internal Audit.

The study also show that no relationship between Internal Audit effectiveness, and professional proficiency in case of Israel.

2.4.1 Dependent Variable

The dependent variable is the variable of primary interest to the researcher. In other words, it is the main variable that lends itself for investigation as a viable factor. (Sekaran, 2003)

As regard to this study the effectiveness of Internal Audit as dependent variables was assessed by professional proficiency of Internal Audits, organizational independence, quality of audit work and top management support.

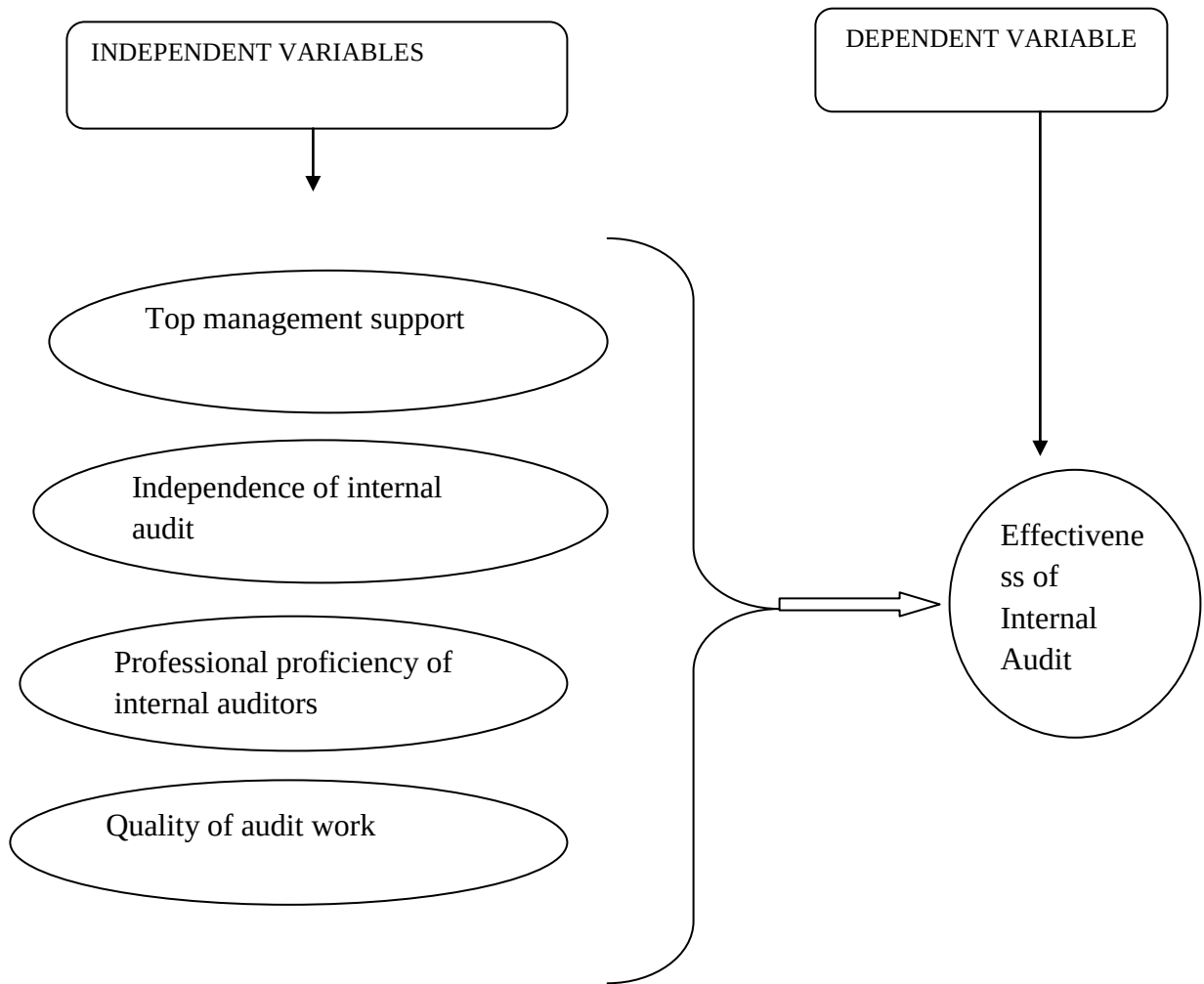
2.4.2 Independent Variables

An independent variable is one that influences the dependent variable in either a positive or negative way. (Sekaran, 2003)

This study used Professional proficiency of Internal Audits, organizational independence, quality of audit work, and top management support as independent variables to assess effectiveness of Internal Audit at MDC.

2.4.3 Research Model.

Figure: 2.2. Conceptual Frame Work



Source: Researcher's own Construct, 2015

2.4.4 Definition of Independent Variables in Relation to the Concept of Effectiveness of Internal Audit.

a) Professional Proficiency of Internal Audits,

An audit requires a professional staff that collectively has the necessary education, training, experience and professional qualifications to conduct the full range of audits required by its mandate (Al-Twaijry et al, 2003).

Auditors must comply with minimum continuing education requirements and professional standards published by their relevant professional organisations and the IIA, IIA, (2008).

Auditors must have a high level of education in order to consider a human resource (Bou-Raad 2000).

Different study have been done concern the proficiency of Internal Audits and effectiveness of Internal Audits, the study found that the greater the professional qualifications of the Internal Audits in a given department the greater the effectiveness of this department (Ratliff ,1996).

b) Independence of Internal Audit

The role of Internal Audit in organisations is very complex. Internal Audits perform different duties including risk assessment in the organisation in order to increase credibility to different stake holder the independent of Internal Audit is very important.

Van Peursem (2005), argued that Internal Audits who are able to set their own agenda seem to be the most powerful in this respect because their selection of what to audit and when they can include assessments of senior managers as well as assessments for them.

Bou-Raad (2000) argued that the strength of an Internal Audit department must be assessed with respect to the level of independence it enjoys from management and from operating responsibilities.

Van Peursem (2004), Contends that Internal Audits are expected to aid managers in doing their jobs, and at the same time to independently evaluate management's effectiveness.

It can thus be argued that organisational independence will increase the effectiveness of Internal Audits.

c) Quality of Audit Work

Performing auditing assignment according to Internal Auditing standards and regulation contributes significantly to the effectiveness of auditing.

Bou-Raad, (2000) argued that formal auditing standards recognise that Internal Audits provide services regarding information other than financial reports. These standards require auditors to carry out their role objectively and in compliance with accepted criteria for professional practice, such that Internal Audit activity will evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach. This is important not only for compliance with legal requirements, but because the scope of an auditor's duties could involve the evaluation of areas in which a high level of judgments is involved, and audit reports may have a direct impact on the decisions or the course of action adopted by management.

It can thus be argued that the quality of Internal Audit work in terms of compliance with formal standards, planning and execution of audit work will improve the effectiveness of Internal Audit.

d) Top Management Support

Management plays key roles on effectiveness of Internal Audit department. Through support of top management in terms of resources and execution of audit work improve the effectiveness of Internal Audit.

Dunfee and Kline, (2005) demonstrated that support for Internal Auditing by top management is an important determinant of its effectiveness. Internal Audit departments must have the resources needed to hire the right number of high-quality staff, to keep up-to-date in training and development, to acquire and maintain physical resources like computers, scanner and printer.

Fernandez and Rainey (2006) argued that top management support and commitment to change play a crucial role in organisational renewal, as senior managers can mobilise the critical mass needed to follow through on efforts launched by one or two visionary thinkers.

Management support for Internal Audit is very important; managers must make sure that the activity of Internal Audit department is effective and there are resources needed to do their jobs. Thus support from top management will increase effectiveness of Internal Audit. (Fernandez and Rainey, 2006)

2.5 Hypotheses

A hypothesis is a logically conjectured relationship between two or more variables expressed in the form of a testable statement. By testing the hypotheses and confirming the conjectured relationships, it is expected that solutions can be found to correct the problem encountered. (Sekaran, 2003)

Based on reviewed literature above the study used four major hypothesis areas which guided the analysis of data and data collection.

First, it is hypothesized that professional proficiency of the Internal Audits was related to Internal Audit effectiveness. Those Internal Audits with greater professional proficiency will have greater auditing effectiveness in performing their duties. Different

studies, found that the greater the professional qualifications of the Internal Audits in a given unit, the greater the effectiveness of this unit. (Cohen and Sayag, 2010)

Second, it is hypothesized that organisational independence was related to Internal Audit effectiveness. Internal Audits who are able to set their own plan, duties and procedures are the one who are independently in performing their duties because they can select what to audit when compared to those who do not have. (Cohen and Sayag, 2010)

Third, it is hypothesized that quality of the auditing work was related to auditing effectiveness. It is argued that a high quality of Internal Audit work in terms of compliance with formal standards, as well as a high level of efficiency in the audit planning and execution will improve the Internal Audit effectiveness. (Cohen and Sayag, 2010)

Fourth, it is hypothesized that support from top management was related to auditing effectiveness. Management support for Internal Audit in term of resources needed to perform their duties will result to effectiveness in Internal Audits. (Cohen and Sayag, 2010)

From above discussion, the following null Hypothesis used in the study to analyse and collecting data and reaching a conclusion of this study.

H₀: Professional proficiency of the Internal Audits was not related to Internal Audit effectiveness.

H₀: $R_1 = 0$

H₀: Organisational independence will be related to Internal Audit effectiveness.

H₀: $R_2 = 0$

H₀: Quality of the auditing work will be related to auditing effectiveness.

H₀: $R_3 = 0$

H₀: Support from top management will be related to greater auditing effectiveness.

H₀: $R_4 = 0$

H₀: $R_1 = R_2 = R_3 = R_4 = 0$

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methods used in data collection, analysis and presentation. The chapter also provides a description of type of the study, study area, study population, units of analysis, variables and their measurements, sample size and sampling techniques, types and sources of data, data collection methods, validity issues, data analysis methods, action and methods which was used for accomplishing the study.

3.2 Research Methodology

Research methodology is the systematic and scientific processes and procedures necessary to conduct research (Sekaran, 2003).

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. (Ndunguru, 2007).

Kothari (2004; 8) argue that..... *“when we talk of research methodology we not only talk of research methods but also consider the logic behind the methods we use in the context of our research study and explain why we are using a particular method or techniques and why we are not using others so that research results are capable of being evaluated either by a researcher himself or by others”*.

3.2.1. Research Design

Kothari (2004) defined research design as a conceptual structure within which research is conducted; it constitutes the blue print for collection, measurement and analysis of data.

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 in economy in procedure (Selltitz et al 1962 in Kothari 2004; 31).

Ndunguru (2007) argue that research design ...*“is assemblage of condition for; specifying relationships among variables in a study, operationalizing these variables, and controlling effects of extraneous variables; and a plan for selecting a sources and types of information to be used in answering the research questions”*.

The study used correlational study in order to understand the important variable influencing effectiveness of Internal Audit at MDC. The correlational study is used when researcher is interested to know the important variables associated with the problem. (Sekaran, 2003)

In carrying out such study, the following independent variables; professional proficiency of Internal Audits, organizational independence, quality of audit work, and top management support were used to assess how they influence effectiveness of Internal Audit at MDC.

By using this type of study, it helps to reach a conclusion of which among those variables had the greatest or at least association to effectiveness of Internal Audit. The conclusion to the correlational study would help to determine the extent of each independent variables influence on effectiveness of Internal Audit at MDC.

3.2.2 Study Area

The study was conducted at MDC. The council was established in 1964 under the Local Government Act No.7 of 1982 (Cap 287) and the local Government Finance Act No.9 of 1982 (Cap290).MDC is one of 132 LGAs in Tanzania mainland. The study conducting in this council because is one of the LGA in Tanzania performing well.

3.2.3 Study Population

A study population is a group of individuals or items that share one or more characteristics from which data can be gathered and analyzed. (Ndunguru, 2007)

The study focused on information obtained from MDC's staff. The study population included respondents from different departments and section at three managerial level of MDC.

The total number of the study population was 170 employees of MDC's administrative area. In order to reach accurate conclusion a representative sample size of 82 respondents from different departments and sections were selected in order to save resources like time and money.

3.2.4 Units of Analysis

The unit of analysis of the study was Mufindi district council as an organisation. The study was focused on assessment of effectiveness of Internal Audit at MDC.

3.2.5 Variables and their Measurements

The effectiveness of Internal Audit is very important issue especially when it comes to decision making, if management believe that Internal Audit functions are ineffective, their recommendations will carry little value from the side of decision makers (Burton *et al*, 2012).

Assessing the effectiveness of Internal Audit within an organization is very important in order to know the strength and weakness of Internal Audit in achieving organization objective. The question has been raised from previous study on how the effectiveness of Internal Audit is measured.

Al-Twaijry *et al*, (2003) stipulated that previous studies have used variety of approaches to determine appropriate standard to assess the effectiveness of the Internal Audit function. This is due to the fact that the issues of effectiveness of Internal Audit are

indispensable because it creates improvement in the government ministries (Unegbu and Kida, 2011).

The measurement of the effectiveness of Internal Audit function keep receiving a significant challenge, consisting the finding of the best and relevant method for measuring the effectiveness of Internal Audit (IIA, 2010;). Measurement of auditing effectiveness is relevant because effective auditing can be regarded as an important part of new public management and such measurement can help improving the public responsibility of local staff and the accountability of local government as a whole (Mizrahi and Ness-Weisman, 2007).

Beckmerhagen et al (2004) emphasize that measuring the effectiveness of an Internal Audit requires a clearly definition, understanding and acceptance of the term effective Internal Audit.

In measuring the concept of effectiveness of Internal Auditing, there are two main approaches (Cohen and Sayag, 2010).

Under the first approach, the effectiveness of Internal Auditing is determined by the fit between the audit and some set of universal standards extrapolated from the characteristics of Internal Auditing (Cohen and Sayag, 2010).

The second approach adapted in this study, follows the arguments that the effectiveness of Internal Auditing is not a computable reality, but rather is determined by the subjective evaluations assigned to this function by management (Albrecht et al. 1988).

In other words, the success of any Internal Audit can only be measured against the expectations of the relevant stakeholders (Albrecht et al. 1988).

The study carried out in two stages, at a first stage the relationship between dependent variable (effectiveness of Internal Audit) and independent variables (professional proficiency of Internal Audits, organizational independence, and quality of audit work, and top management support) was assessed.

At second stage the effectiveness of Internal Audit (independent variable) was assessed if they influence financial performance of MDC (dependent variable).

Dependent Variables

The items of dependent variables at all stage was measured by likert- type of scale, on a five point scale (1 = strongly disagree to 5=strongly agree).

At first stage, the effectiveness of Internal Audit was measured by five items. The heads of departments or sections and their Subordinates, Audit Committee Members and Finance Committee Members was asked whether they agreed with the following statements; 1) The Internal Audit contribute a lot in improvement of risk management, internal control and governance processes, 2) Internal Audit activities are very effective in meeting stakeholder's needs, 3) The audit report issued was accurate, timely reported and their findings were clearly communicated, 4) Internal Audit are very effective in conducting their audit, 5) During auditing process Internal Audit seek clarification of some issues from audit client (auditee).

At second stage, the relationship between Internal Audit effectiveness and financial performance of MDC was assessed.

Independent variables

The items of independent variables at all stage was measured by likert- type of scale, on a five point scale (1 = strongly disagree to 5=strongly agree).

The data for independent variables was collected from, Audit Committee members, Finance Committee Members and head of departments and sections and their subordinates at MDC.

i) Professional proficiency

This variable was measured by four items. The heads of departments or sections and their Subordinates, Audit Committee Members and Finance Committee Members was asked whether they agreed with the following statements: (1) The organisation allow

Internal Audits to participate in a capacity building and training programs in order to maintain their skills, (2) Internal Audits have the appropriate level of education in auditing financial and operational system in organisation. (3) Internal Audits have the appropriate computerized level of education in auditing computerized financial system in organisation. (4) The capacity building and training add value on effectiveness of Internal Audit.

ii) Quality of audit work.

This variable was measured by six items. The Audit Committee Members, Finance Committee Members and head of departments and sections and their subordinates at MDC were asked whether they agreed with the following statements: (1) The audit was completed within a timeframe agreed before audit process,(2) The overall Internal Audit activities add effectiveness in operation in your area,(3)The audit team kept inform you of key issues through the audit,(4) The response of auditee to the Internal Audit is submitted in writing and is relevant and comprehensive;(5)The annual Internal Audit plan approved before implemented by Internal Audit ,(6)There is regular follow-up by the Internal Audit staff to examine actions taken to correct the problems found.

iii) Organisational Independence

This variable was measured by five items. The Audit Committee Members , Finance Committee Members and head of departments and sections and their Subordinates at MDC were asked whether they agreed with the following statements (1) The Internal Audit have direct working relations with the HOD, ACM and DED, (2) The Internal Audit staff has free access to information and data about the Organisation during auditing , (3) The Internal Audit performs their duties after directed by head of departments and district executive director (Ded); (4) Internal Audits sometimes takes part in designing internal control systems in the organisation, (5) The Internal Audits are independently during their operations, they can audit any issue it considers in need of auditing.

iv) Top management support

This variable was measured by five items. The Audit Committee Members , Finance Committee Members, and head of departments and sections and their Subordinates at MDC were asked whether they agreed with the following statements; (1) Top management support the Internal Audit during the auditing, (2) Management assigned large budget to support Internal Audit. (3) Management provides enough support and encouragement for training and developing the Internal Audits, (4) Top Management support Internal Audits to implement their planning activities, (5) Top Management ignore Internal Audits requesting to use their budget in implementing their activities.

3.2.6 Sampling Method

The study used purposive sampling method during the process of data collection from the study respondents.

Purposive sampling is sampling were confined to specific types of people who can provide the desired information, either because they are the only ones who have it, or conform to some criteria set by the researcher. (Sekaran, 2003)

In carrying out a purposive sampling technique the study used judgment sampling design which is one of type of purposive sampling technique.

Judgment sampling design is used where the collection of specialized informed inputs on the topic area researched is vital, and the use of any other sampling designs would not offer opportunities to obtain the specialized information. (Sekaran , 2003)

Judgment sampling design helps to select respondents who were in best position to provide the information that was required in study. By using judgment sampling design helped to target respondents who have experience, knowledge and experts about the study variables which in turn were helped to reach expected conclusion.

3.2.7 Sample Size

Adam and Kamuzora (2008, page 119) defined a sample size as the exact number of items selected from a population to constitute a sample. It is always recommended to use a large sample size so as to be able to generalize the research findings.

The study used sample size of 82 respondents. The sample size consisted of 82 respondents from the study area and these were selected as in table 1 below.

Table 1: Showing category of respondents as well as the Sample size

Category of respondents	Study population	Sample size
Procurement	10	8
Rural water	03	02
Urban water	9	04
Works	8	05
Finance committee members	15	5
Agriculture	25	08
Human Resource	05	04
Finance department	20	13
Education(Primary& secondary)	30	07
Health	22	08
Audit committee members	05	05
Land and natural resources	16	06
Legal	01	01
IT	01	01
Election	01	01
Community Development	16	04
Total	170	82

Source; Researcher's own construct (2015)

The study used a sample size of 82 respondents because it is large enough for generalisability of result which needs a large sample size.

However, this sample was determined with the help of the following formulae according to Tabachnick and Fidell (2001). According to those authors a formula for calculating

sample size: taking into account the number of independent variables: $n > 50 + 8m$ (where m = Number of independent variables) in this case the number of independent variables is 4.

The basis on which the sample selected was by using judgment sampling design in order to select subjects who are in best position to provide the information that require in this study.

3.2.8 Sources of Data

The study used both primary and secondary data as the main sources of data to be used in the study.

3.2.8.1 Primary Data

Kothari (2004) argue that primary data are those which are collected a fresh and for the first time and thus happen to be original in character. And that we can obtain primary data through observation, direct communication with respondents or through personal interview.

Primary data refer to information obtained firsthand by the researcher on the variables of interest for the specific purpose of the study (Sekaran, 2003).

The study used this source to collect data from respondents at Mufindi district council by use questionnaire and interview guide method. During the process of data collection, the researcher was approached the study area with the research tools in order to get information from respondents.

3.2.8.2 Secondary Data

Secondary data are the ones which have already been collected by someone else and which have been passed statistical processes. They may either be published data or unpublished data (Kothari 2004).

The study used secondary data such as Internal Audit reports, Internal Audit action plan, Internal Audit charter and Internal Audit files, council annual financial reports, the report of controller and auditor general and report of Local Authority Auditing Committee (LAAC) in order to confirm some primary data.

3.2.9 Data Collection Methods

Data collection is the systematic gathering of data for a particular purpose from various sources, including questionnaires, interviews, observation, and existing records. (Kothari, 2008)

Data collected can be either Primary data or Secondary data. Primary and secondary data differ in many ways due to the fact that primary data are considered original in nature and collected afresh, while in case of secondary data the nature of data collection are mainly based on compilation since they have been collected by someone else in the past. (Kothari, 2008)

Data can also be classified as qualitative and quantitative. Quantitative data are ones which can be measured more or less exactly, and their measurement implies magnitudes, which are usually expressed in numbers, while qualitative data are ones which cannot be accurately measured and counted and are generally expressed in words rather than in numbers, and they are descriptive and rarely go beyond the nominal and ordinal levels of measurement (Sekaran, 2003)

3.2.9.1 Questionnaire

A questionnaire is a collection of questions which are administered to the respondents through the post office or by e-mail and the respondents fill in the questionnaire by themselves in which case the instrument is called a self-administered or self-completion questionnaire (Kothari 2008).

Questionnaires generally consists two types of questions namely opened ended questions and closed questions. (Kothari 2004)

The study used self-administered questionnaire as a tool of collecting data. Both open and close ended questions were arranged in questionnaire in order for respondents to make choices among a set of alternatives, also allow respondents to answer some questions in any way they choose.

The self-administered questionnaire method of data collection is efficient, cheap and collects responses with minimum errors and high level of confidentiality. Also the researcher can collect all the completed responses within a short period of time and any doubts that the respondents might have on any questions could be clarified on spot. (Kothari , 2004)

For the purpose of getting accurate data, Questions regarding to effectiveness of Internal Audit were critically focused on both input and output of Internal Audit functions while the questions regard to performance of council was focused on output of council performance. These questionnaires are attached in appendix II.

3.9.2 Documentary Review.

In documentary review various documents were used in collecting the information needed usually secondary data (Kothari 2008).

In this study, the relevant information from Internal Audit reports for the year 2010/2011, 2011/2012, 2012/2013 2013/2014, Internal Audit action plan for the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014, Internal Audit files for the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014, Internal Audit budgets for the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014, and Internal Audit charter , Internal Audit files, council annual financial reports for the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014, the report of controller and auditor general for the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014, and report of Local Authority Auditing Committee (LAAC) for the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014, were collected in order to confirm some primary data.

3.2.10 Validity Issues

Validity indicates the degree to which an instrument measures what it is supposed to measure. Validity can also be thought of as utility. In other words, validity is the extent to which differences found with a measuring instrument reflect true differences among those being tested.(Kothari,2004)

Further Kothari, (2004), argued that there are three types of validity namely, (i) Content validity; (ii) Criterion-related validity and (iii) Construct validity.

Due to lack of empirical study that validated different studies concern effectiveness of Internal Auditing, the study used Construct validity to test the instrument.

Construct validity is the degree to which scores on a test can be accounted for by the explanatory constructs of a sound theory. If measurements on our devised scale correlate in a predicted way with these other propositions, we can conclude that there is some construct validity. (Kothari, 2004)

On reaching the results, both independent and dependent variable were measure by likert- type of scale, on a five point scale (1 = strongly disagree to 5=strongly agree).

3.2.11 Data Analysis

Data analysis refers to the computation of certain measures along with searching for patterns of relationship that exist among data groups. Data analysis requires a number of closely related operations such as estimation of categories, application of these categories to raw data through coding, tabulation and then drawing statistical inferences (Kothari, 2004).

Thus the process of analysis aims at determining whether the observations support the hypotheses formulated before going into the field to collect the information, or reject them (Adam and Kamuzora , 2008).

In assistance with Statistical Package for the Social Sciences (SPSS) from data entry and recording variables stage, the study used multiple regression analysis to analyse data basing on the source of relationship among variables. Also the study used correlation analysis to describe the strength and direction of linear relationship between effectiveness of Internal Audit and financial performance of MDC.

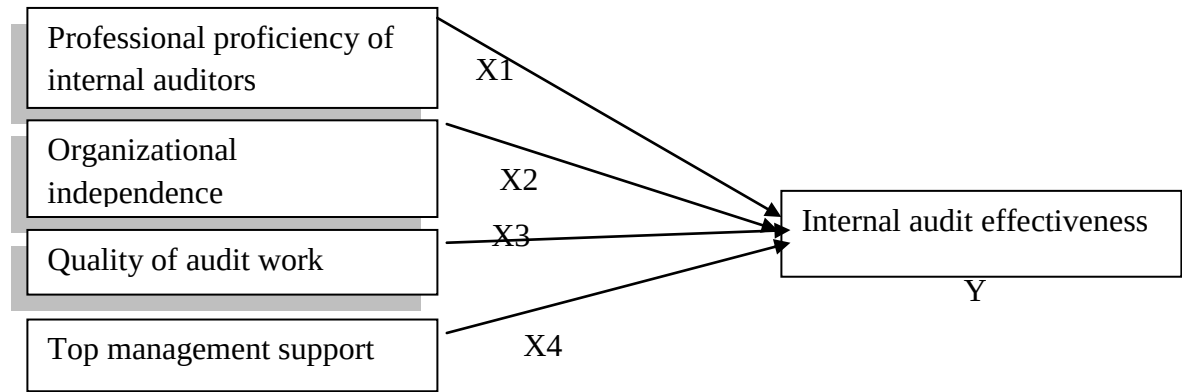
According to Aiken and West, (1991) multiple regression is not just one technique but a family of techniques that can be used to explore the relationship between one continues dependent variables and a number of independent variables usually continues.

Multiple Regression Analysis was used to explore the relationship between effectiveness of Internal Audit which is continues dependent variable and professional proficiency of Internal Audits, organizational independence, quality of audit work, and top management support which is continues independent variables.

Multiple regressions helped to assess how professional proficiency of Internal Audits, organizational independence, quality of audit work, and top management support as independent variable predicted on effectiveness of Internal Audit at Mufindi district council.

The relationship between dependent variable (effectiveness of Internal Audit) and independent variables (professional proficiency of Internal Audits, organizational independence, and quality of audit work, career and advancement and top management support) presented in the diagram Figure 3.1.

Figure 3.1: Relationship between one Dependent variable against four Independent variables.



Source; Researcher's own construct (2015)

From the diagram above their relation can present in a multiple regression equation as follow;

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4$$

Where; b_1 , b_2 , b_3 and b_4 represent a slope

X_1 =Professional proficiency of internal auditors

X_2 =Organizational independence

X_3 =Quality of audit work

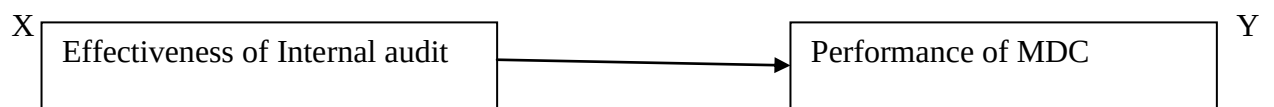
X_4 =Top management support

The correlation analysis was used to describe the strength and direction of linear relationship between effectiveness of Internal Audit and financial performance of MDC. The strength and direction of linear relationship between effectiveness of Internal Audit and financial performance of Mufindi district council was determined by size of the value of Pearson correlation (r) and their values will be range from -1 to +1. (Pallant and Julie, 2005)

Positive value of r indicate changes among variables take place in the same direction where as negative r indicates changes among variables taking place in the opposite directions and zero r indicate that no association among the variables. (Pallant and Julie, 2005)

The relationship between independent variable (effectiveness of Internal Audit) and dependent variable (financial performance of MDC) can be shown as follow;

Figure 3.2: Relationship between One independent variable against one dependent variable



Source; researcher own constructor 2015

From the diagram above their relation can present in a correlation equation as follow;

$$Y = a + bX$$

Where by:

X = Effectiveness of Internal Audit

Y = Financial Performance of MDC.

CHAPTER FOUR

PRESENTATION OF FINDINGS

4.1 Introduction

After data collected, data must be processed, analyzed and interpreted in order to present the study findings.

According to Kothari (2004; page 122) data processing imply editing, coding, classifying, and tabulation of the collected data so that they are amenable to analysis. On the other words Analysis is the computation of certain indices/measures along with searching for pattern of relationship that exist among the data group (Kothari 2004; page 130).

This chapter present study findings after conducting multiple regression analysis and correlation analysis using SPSS. The findings organized in five sections.

First part of the chapter provides the background characteristics of the respondents in term of their Age, Sex, Marital status, Education level, Managerial level and working experience.

Second part entails the findings relating to assessment of effectiveness level of Internal Audit at MDC. Third part of the chapter provides findings relating to the assessment of relationship between effectiveness of Internal Audit and financial performance of MDC.

Fourth part of the chapter provides the finding relating to other factors affecting effectiveness of Internal Audits and the last part of the chapter provides the finding from documentary reviews.

4.2 Background Characteristics of Respondents

The background characteristics of respondents were sought in terms of their Age, Sex, Marital status, Education level, Managerial level and working experience of respondents.

4.2.1 Sex of the Respondents

The study wanted to establish sex of respondents in order to find out whether their perception differs according to their sex. It was found that majority of respondents 52(63.4%) were males and 30(36.6%) of respondents were female as shown on Table 4.2(a).

Table 4.2(a): Sex of the Respondents

Sex			
	Characteristics	Frequency	Percent (%)
	Male	52	63.4
	Female	30	36.6
	Total	82	100.0

Source: Study Findings, 2015

4.2.2 Age of Respondents

The study also wanted to establish age of respondents in order to find whether their perception differs according to their age .As indicated in table 4.2(b), the study found that age group of 25-34 of respondents were 11(13.4%), 35-44 of respondents were 35(42.7%),45-54 of respondents were 28(34.1%) and 55-59 of respondents were 8(9.8%).

Table 4.2(b): Age of Respondents.

Age			
	Characteristics	Frequency	Percent %
	25-34	11	13.4
	35-44	35	42.7
	45-54	28	34.1
	55-59	8	9.8
	Total	82	100.0

Source: Study Findings, 2015

4.2.3 Marital Status of Respondents

The study wanted to establish marital status of respondents in order to find whether their perception differs according to their marital status. It was found that majority of respondents 64 (78%) were married as shown on Table 4.2(c).

Table 4.2(c): Marital status of respondents.

Marital Status			
	Characteristics	Frequency	Percent %
	Married	64	78.0
	Single	12	14.6
	Divorced	2	2.4
	Widowed/Widower	4	4.9
	Total	82	100.0

Source: Study Findings, 2015

4.2.4 Education Level of Respondents.

The study wanted to establish education level of respondents in order to find whether their perception differs according to their education level. It was found that majority of respondents 46(56.1%) had university degree , 11(13.4%) respondents had Master degree and the rest had secondary level, Certificate, Diploma and other education as indicated on Table 4.2(d)

Table 4.2(d): Education Level of Respondents

Education Level			
	Characteristics	Frequency	Percent %
	Secondary education	2	2.4
	Certificate	6	7.3
	Diploma	11	13.4
	University Degree	46	56.1
	Master	16	19.5
	Other	1	1.2
	Total	82	100.0

Source: Study Findings, 2015

4.2.5 Managerial Level of Respondents

The study also wanted to establish managerial level of respondents in order to find whether their perception differs according to their managerial level. It was found that majority of respondents 54(65.9%) work at middle level, 16(19.5%) of respondents work at top management level and 12(14.6%) work at lower level as indicated on Table 4.2(e).

Table 4.2(e): Education Level of Respondents

Managerial Level			
	Characteristic	Frequency	Percent %
	Low	12	14.6
	Middle	54	65.9
	Top	16	19.5
	Total	82	100.0

Source: Study Findings, 2015

4.2.6 Working experience of Respondents

The study wanted to establish working experience of respondents in order to find whether their perception differs according to their working experience .As indicated in table 4.2(f) , the findings show that the respondents who worked between 1-3years were 15(18.3%) ,4-6 years were 17(20.7%),7-9years were 15(18.3%) and 10 years and above were 35(42.7%) .

Table 4.2(f): Age of Respondents

Working Experience			
	Characteristics	Frequency	Percent %
	1-3 years	15	18.3
	4-6 years	17	20.7
	7-9 years	15	18.3
	10+ years	35	42.7
	Total	82	100.0

Source: Study Findings, 2015

4.3 Assessing of Effectiveness Level of Internal Audit at MDC.

In assessing of effectiveness level of Internal Audit at MDC, the dependent variable (effectiveness of Internal Audit) was assessed by independent variables (professional proficiency of Internal Audits, organizational independence, and quality of audit work, and top management support).

4.3.1 Checking the Assumptions of Multiple Regressions Analysis

Multiple regression is one of the fussier of the statistical techniques. It makes a number of assumptions about the data, and it is not all that forgiving if they are violated (Tabachnick and Fidell, 2001)

4.3.1.1. Outliers, Normality, Linearity, Homoscedasticity, Independence of Residuals assumptions

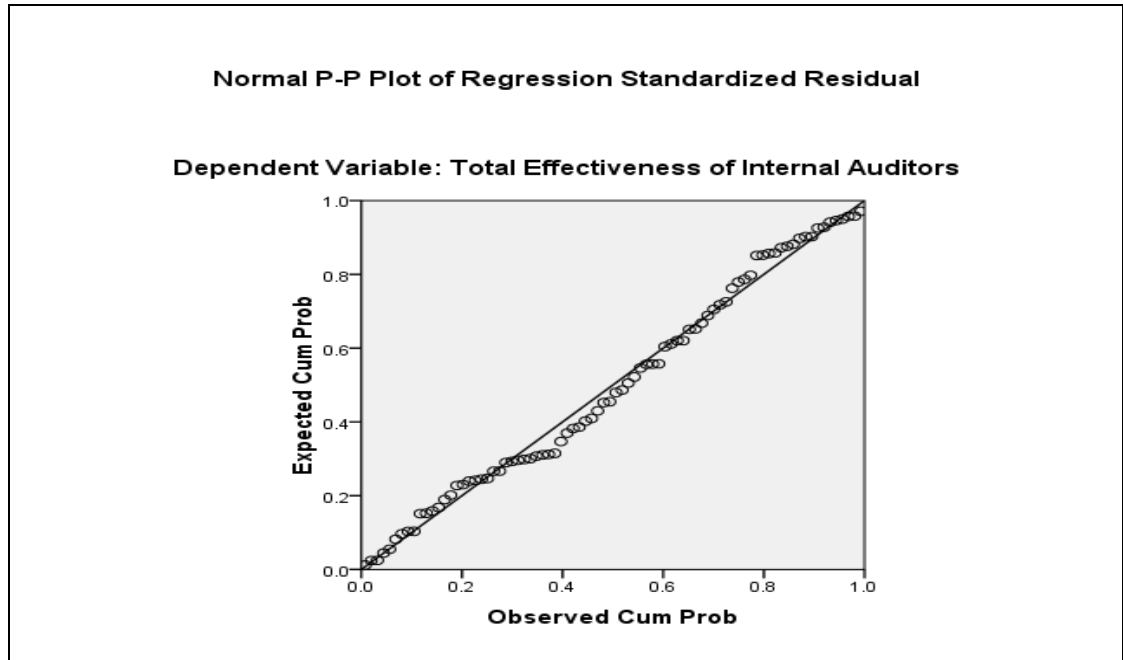
These refer to various aspects of the distribution of scores and the nature of the underlying relationship between the variables. These assumptions can be checked from residuals scatter plot and the Normal Probability Plot of the regression standardised residuals which are generated as part of the multiple regression procedure. (Tabachnick and Fidell, 2001)

One of the ways that these assumptions can be checked is by inspecting the residuals scatter plot and the Normal Probability Plot of the regression standardised residuals that were requested as part of the analysis. (Tabachnick and Fidell, 2001)

In the Normal Probability Plot the points will lie in a reasonably straight diagonal line from bottom left to top right while in the Scatter plot of the standardised residuals the points will be roughly rectangular distributed, with most of the scores concentrated in the centre. (Tabachnick and Fidell, 2001)

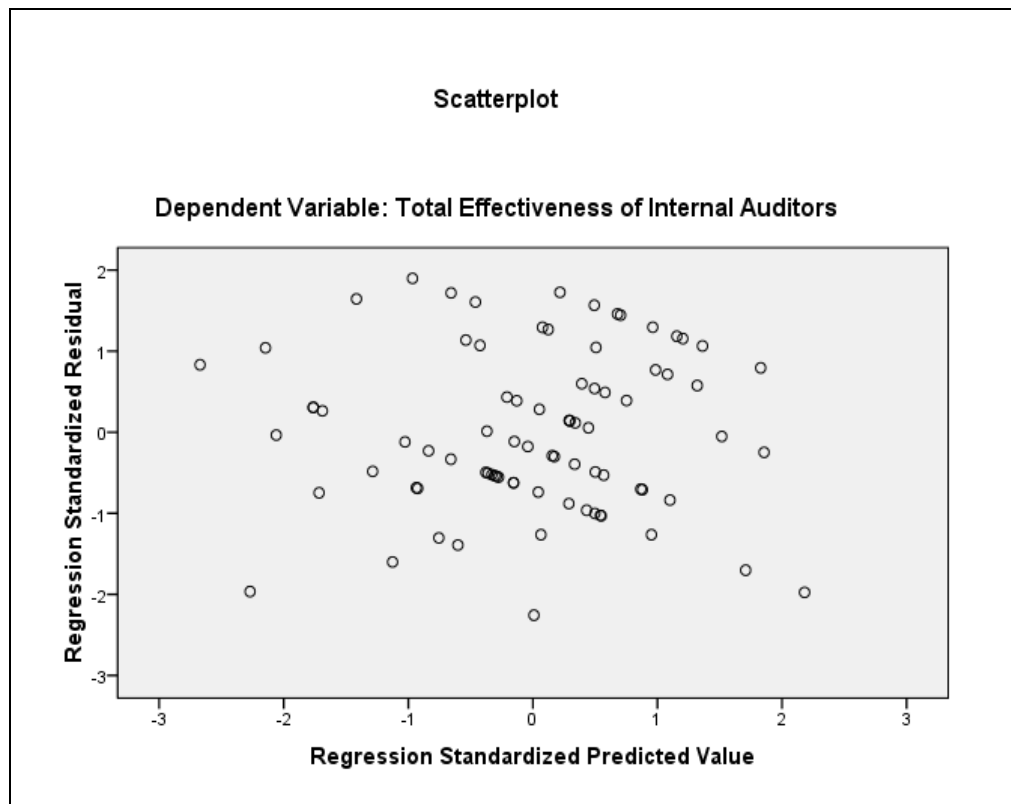
The findings from this graph were indicated in the graph 4.3(1a & 2a).

Graph 4.3(1a): Normal Probability Plot of the regression standardised residuals



Source: Study Findings, 2015

Graph 4.3(2a): residuals scatter plot



Source: Study Findings, 2015

4.3.1.2 Evaluating the Model

From the model, the value of R, R Square and Adjusted R Square tells you how much of the variance in the dependent variable is explained by the model (which includes the independent variables. In this case the value is 0.468. Expressed as a percentage (multiply by 100, by shifting the decimal point two places to the right), this means that the model is expressed in percentage. (Tabachnick and Fidell, 2001, page 147)

When a small sample is involved, the R square value in the sample tends to be a rather optimistic overestimation of the true value in the population. The Adjusted R square statistic 'corrects' this value to provide a better estimate of the true population value. If

you have a small sample you may wish to consider reporting this value, rather than the normal R Square value. (Tabachnick and Fidell, 2001, page 147)

From the Model Summary box as indicated in table 4.3 (a), the value of R-Square was 0.260 or 26%

Table 4.3 (a): Evaluating the Model

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.510 ^a	.260	.222	.390

a. Predictors: (Constant), Total Top Management Support, Total Professional Proficiency, Total Organisational Independence, Total Quality of Audit Work , b. Dependent Variable: Total Effectiveness of Internal Audits

Source; Study Finding, 2015

From the table , Total professional proficiency, Total organizational independence, Total quality of audit work, and Total top management support represent, professional proficiency of Internal Audits, organizational independence, and quality of audit work, and top management support respectively.

4.3.1.3. Assessing the Statistical Significant of the Result.

In assessing the statistical significance of the result, it is necessary to look in the table labeled ANOVA. This tests the null hypothesis that multiple R in the population equals 0. (Tabachnick and Fidell, 2001)

If the **Sig.** value is less than 0.05 (0.01, 0.0001, etc.), then the variable is making a significant unique contribution to the prediction of the dependent variable. If greater than 0.05, then you can conclude that variable is not making a significant unique contribution to the prediction of your dependent variable. (Tabachnick and Fidell, 2001)

The finding from the assessment of the statistical significance of the result indicated in table 4.3(b) labeled ANOVA. This tests the null hypothesis that multiple R in the population equals 0. The model in this example reaches statistical significance (Sig = 0.000, this really means $p < .0005$).

Table 4.3(b): Assessing the statistical significant of the result

ANOVA ^b					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	4.118	4	1.030	6.775	.000 ^a
Residual	11.702	77	.152		
Total	15.820	81			

a. Predictors: (Constant), Total Top Management Support, Total Professional Proficiency, Total Organisational Independence, Total Quality of Audit Work ,
b. Dependent Variable: Total Effectiveness of Internal Audits

Source; Study Finding, 2015

From the table , Total professional proficiency, Total organizational independence, Total quality of audit work, and Total top management support represent, professional proficiency of Internal Audits, organizational independence, and quality of audit work, and top management support respectively.

4.3.1.4 Evaluating Each of the Independent Variables

Tabachnick and Fidell, (2001) argue that..... *“To understand which of the independent variables included in the model contributed to the prediction of the dependent variable is very important. The information related in evaluating each of the independent variables are obtained in the output box labeled Coefficients. Look in the column labeled Beta under Standardised Coefficients. To compare the different variables it is important that you look at the standardised coefficients, not the unstandardized ones.*

'Standardised' means that these values for each of the different variables have been converted to the same scale so that you can compare them. If you were interested in constructing a regression equation, you would use the unstandardized coefficient values listed as B. we are interested in comparing the contribution of each independent variable; therefore we will use the beta values. Look down the Beta column and find which beta value is the largest (ignoring any negative signs out the front)'.

Tabachnick and Fidell, (2001) further suggest that ... *"For each of these variables, check the value in the column marked Sig. This tells us whether this variable is making a statistically significant unique contribution to the equation. This is very dependent on which variables are included in the equation, and how much overlap there is among the independent variables. If the **Sig.** value is less than .05 (.01, .0001, etc.), then the variable is making a significant unique contribution to the prediction of the dependent variable. If greater than .05, then you can conclude that that variable is not making a significant unique contribution to the prediction of your dependent variable"*.

In this case as indicated in table 4.3(c), we are interested in comparing the contribution of each independent variable; therefore we use the beta values and value in the column marked Sig. which tells us whether this variable is making a statistically significant unique contribution to the equation.

Table 4.3 (c): Result from the Output box Labeled Coefficients

Coefficients ^a												
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Correlations			Co-linearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	1.943	.507		3.830	.000	.933	2.953					
Total Professional Proficiency	.039	.118	.040	.328	.743	-.196	.274	.313	.037	.032	.657	1.522
Total Quality of Audit Work	.408	.112	.468	3.652	.000	.185	.630	.506	.384	.358	.586	1.706
Total Organisational Independence	-.006	.098	-.007	-.057	.955	-.201	.190	.265	-.006	-.006	.690	1.450
Total Top Management Support	.058	.107	.058	.549	.585	-.154	.271	.223	.062	.054	.850	1.176

a. Dependent Variable: Total Effectiveness of Internal Audit

Source, Study Finding 2015

From the table, Total professional proficiency, Total organizational independence, Total quality of audit work, and Total top management support represent, professional proficiency of Internal Audits, organizational independence, and quality of audit work, and top management support respectively.

4.3.1.4.1 Evaluating each of the Independent Variables extracted.

From the column labeled Beta under Standardised Coefficients and their level of significant which was extracted from table 4.3(c) and shown in table 4.3 (d), indicate the findings which help in evaluating each of independent variables.

Table 4.3 (d): Result for Evaluating each Independent Variable

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.943	0.507		3.830	0.000
	Total Professional Proficiency	0.039	0.118	0.040	0.328	0.743
	Total Quality of Audit Work	0.408	0.112	0.468	3.652	0.000
	Total Organisational Independence	-0.006	0.098	-0.007	-0.057	0.955
	Total Top Management Support	0.058	0.107	0.058	0.549	0.585

a. Dependent Variable: Total Effectiveness of Internal Audits

Source, Study Findings 2015

From the table , Total professional proficiency, Total organizational independence, Total quality of audit work, and Total top management support represent, professional proficiency of Internal Audits, organizational independence, and quality of audit work, and top management support respectively.

4.3.1.4.2. Checking for Multi-co Linearity

Multi-co linearity refers to the relationship among the independent variables. Multi co-linearity exists when the independent variables are highly correlated ($r=0.9$ and above). In general term Multi co-linearity is the one of the assumptions of multiple regression

analysis which means that the relationship among the independent variables. Multiple regressions does not like Multi co linearity, and these certainly don't contribute to a good regression model, so always check for these problems before you start, (Tabachnick and Fidell, 2001)

Further Tabachnick and Fidell, (2001) argue that...*“Multi co-linearity is tested by Variance Inflation Factor (VIF) and Tolerance (Available in SPSS)”*.

Tabachnick and Fidell, (2001) suggest that ...*“the results of Multi co- linearity are presented in the table labeled Coefficients. Two values are given: Tolerance and VIF.*

Tolerance measures the amount of variance in an independent variable that is not explained by the other independent variables. Tolerance is an indicator of how much of the variability of the specified independent is not explained by the other independent variables in the model and is calculated using the formula $1-R^2$ for each variable. If the other variables explain a lot of the variance of a particular independent variable we have a problem with multi co-linearity. Thus, small values for tolerance indicate problems of multi co-linearity. The minimum cutoff value for tolerance is typically 0.20. That is, the tolerance value must be smaller than 0.20 to indicate a problem of multi co-linearity. If this value is very small (less than .10), it indicates that the multiple correlation with other variables is high, suggesting the possibility of Multi co- linearity. The other value given is the VIF (Variance inflation factor), which is just the inverse of the Tolerance value (1 divided by Tolerance). VIF measures how much the variance of the regression coefficients is inflated by multi co- linearity problems. If VIF equals 0, there is no correlation between the independent variables measure. A VIF measure of 1 is an indication of some association between predictor variables, but generally not enough to cause problems. A maximum acceptable VIF value would be 5.0; anything higher would indicate a problem with multi co-linearity. Some books recommend a cut-off point of 10 for VIF and VIF values above 10 would be a concern here, indicating Multi co- linearity”.

From the column labeled Co linearity Statistics which was extracted in table 4.3(c), the value of Variance of Inflation Factor (VIF) and Tolerance which is used to test Multi co- linearity assumption are indicated in table 4.3(e);

Table 4.3(e): Result for Checking for Multi-co Linearity

Model	Co linearity Statistics	
	Tolerance	VIF
1 (Constant)		
Total Professional Proficiency	0.657	1.522
Total Quality of Audit Work	0.586	1.706
Total Organisational Independence	0.690	1.450
Total Top Management Support	0.850	1.176

a. Dependent Variable: Total Effectiveness of Internal Audits

Source, Study Findings 2015

From the table ; Total professional proficiency, Total organizational independence, Total quality of audit work, and Total top management support represent, professional proficiency of Internal Audits, organizational independence, and quality of audit work, and top management support respectively

4.3.2 Inter-Correlation between Independent Variable and Dependent Variables.

The study wanted to assess the effectiveness level of Internal Audit at MDC. In order to carry such study the following null hypothesis (H_0) were tested;

H_0 : Professional proficiency of the Internal Audits was not related to effectiveness of Internal Audit. H_0 : $R_1 = 0$

H_0 : Organisational independence was not related to effectiveness of Internal Audit. H_0 : $R_2 = 0$

H_0 : Quality of the auditing work was not related to effectiveness of Internal Audit. $H_0: R_3 = 0$

H_0 : Support from top management was not related to effectiveness of Internal Audit. $H_0: R_4 = 0$

$H_0: R_1 = R_2 = R_3 = R_4 = 0$

The findings of inter-correlation between independent variable and dependent variables were shown in the table 4.3 (f).

Table 4.3 (f); Result of correlation between Independent Variables and Dependent Variable

Correlations						
		Total Effectiveness of Internal Audits	Total Professional Proficiency	Total Quality of Audit Work	Total Organisational Independence	Total Top Management Support
Pearson Correlation	Total Effectiveness of Internal Audits	1.000	.313	.506	.265	.223
	Total Professional Proficiency	.313	1.000	.559	.430	.253
	Total Quality of Audit Work	.506	.559	1.000	.503	.336
	Total Organisational Independence	.265	.430	.503	1.000	.331
	Total Top Management Support	.223	.253	.336	.331	1.000
Sig. (1-tailed)	Total Effectiveness of Internal Audits	.	.002	.000	.008	.022
	Total Professional Proficiency	.002	.	.000	.000	.011
	Total Quality of Audit Work	.000	.000	.	.000	.001
	Total Organisational Independence	.008	.000	.000	.	.001
	Total Top Management Support	.022	.011	.001	.001	.
N	Total Effectiveness of Internal Audits	82	82	82	82	82
	Total Professional Proficiency	82	82	82	82	82
	Total Quality of Audit Work	82	82	82	82	82
	Total Organisational Independence	82	82	82	82	82
	Total Top Management Support	82	82	82	82	82

Source: Study Finding 2015

From the table ; Total professional proficiency, Total organizational independence, Total quality of audit work, and Total top management support represent, professional proficiency of Internal Audits, organizational independence, and quality of audit work, and top management support respectively.

4.4. Assessing the Relationship between Effectiveness of Internal Audit and Financial Performance of Mufindi District Council.

The study also test null hypothesis (H_0) which claimed that effectiveness of Internal Audit was not related to performance of MDC.

i.e. $H_0: r = 0$, where r represent correlation coefficient

As indicated in table 4.4(a) below. The finding indicated that, the value of $r=0.413$ and value of P (Significant Level) $=0.001$

Table 4.4(a); Result of relationship between effectiveness of Internal Audit and performance of MDC

Correlations			
		Total Effectiveness of Internal Audits	Total Performance of MDC
Total Effectiveness of Internal Audits	Pearson Correlation	1	0.413**
	Sig. (2-tailed)		0.001
	N	82	82
Total Performance of MDC	Pearson Correlation	0.413**	1
	Sig. (2-tailed)	0.001	
	N	82	82
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Study Finding 2015

From the table ; Total professional proficiency, Total organizational independence, Total quality of audit work, and Total top management support represent, professional

proficiency of Internal Audits, organizational independence, and quality of audit work, and top management support respectively.

4.5. Documentary Review:

Documentary review was done for the purpose of ascertaining the information relating to assessment of effectiveness of Internal Audit given by respondents during the study. The findings from the documentary review indicated that;

- i. Internal Audit reports for the year 2010/2011, 2011/2012, 2012/2013 2013/2014, Internal Audit action plan for the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014, Internal Audit files for the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014, Internal Audit budgets for the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014, and Internal Audit charter.
- ii. In each quarter during the financial years Internal Audits prepared and maintained three reports, namely general report, report of HIV project and Water sector project. On reviewed of such reports, the study found that Internal Audit report was carried out in accordance with the Public finance act 2001 revised 2004 and Local Authority Finance Memorandum of 2009 and Public Procurement Act, 2013 which is a standard that used daily operation of LGAs.
- iii. On reviewed Internal Audit charter ,the charter stated that; the Internal Audit activity shall remain free from interference by any element in the organization on matters of audit selection, scope, procedures, frequency, timing or report contents, head of Internal Audit shall report administratively to the Accounting officer and functionally to Audit committee and Internal Audit General , Implement its plan on its own initiative in all activities to be audited ,be subject to periodical review performed through self-assessment, ongoing monitoring of the

performance and an independent review performed by a team outside organization and the head of Internal Audit will confirm to the Internal Audit General at least annually, the organizational independence of the Internal Audit activity.

- iv. Also during review of Internal Audit action plan, Internal Audit reports and Internal Audit files for the year for the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014, the study found that in each financial year the implementation stage of the Internal Audit action plan was almost above 70%.
- v. On reviewed Internal Audit charter, Internal Audit action plan and minutes of audit committee meeting of financial year 2010/2011, 2011/2012, 2012/2013 and 2013/2014, the study found that Internal Audit action plan of the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014 and current Internal Audit charter used by Internal Audit was approved by audit committee members as required by auditing standard.
- vi. On reviewed quarter Internal Audit reports of Internal Audit for the year 2010/2011, 2011/2012, 2012/2013 2013/2014 both general report, report of HIV project and Water sector project and minutes of meetings of audit committee, finance committee and Internal Audit dispatch, the study found that all report were channeled in those meetings and reached to appropriate authorities as required by auditing standard and financial regulation.
- vii. On review of Internal Audit budget for the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014, the study found that in each financial year the Internal Audit receive and spent on average almost about 74% of their budget for implementing their activities.

- viii. Also on review Internal Audit training programme and Internal Audit budget (vote book) for the year 2010/2011, 2011/2012, 2012/2013 and 2013/2014 and Internal Audits personal files, the study found that Internal Audit staff had attended different training and seminars on accounting and auditing issues within the country in each year, also they poses high qualifications needed for them to conduct auditing. This implies that the Internal Audit at MDC is competent to perform auditing activities.

4.6 Factors that affecting effectiveness of Internal Audits apart from Top Management Support, Quality of Audit Work, Professional Proficiency, and Organisational Independence

The result of are indicated in table 4.5(a)

Table 4.5(a) Results of factors affect effectiveness of Internal Audit

Factors affect effectiveness of IA			
		Frequency	Percent %
	Minimal number of Internal Audit staff	19	23.2
	less independent of Internal Audit	10	12.2
	Unplanned activities from central Government	3	3.7
	limited financial resource	26	31.7
	Geographical situation of MDC	2	2.4
	Political interference	11	13.4
	Question not answered	11	13.4
	Total	82	100.0

Source, Study findings 2015

CHAPTER FIVE

DISCUSSION OF THE FINDINGS

5.1 Introduction

This chapter presents discussion of findings from chapter four after conducting some analysis from SPSS.

The discussion of findings is organized in three sections. First part of the chapter provides the background characteristics of the respondents in term of their Age, Sex, Marital status, Education level, Managerial level and working experience.

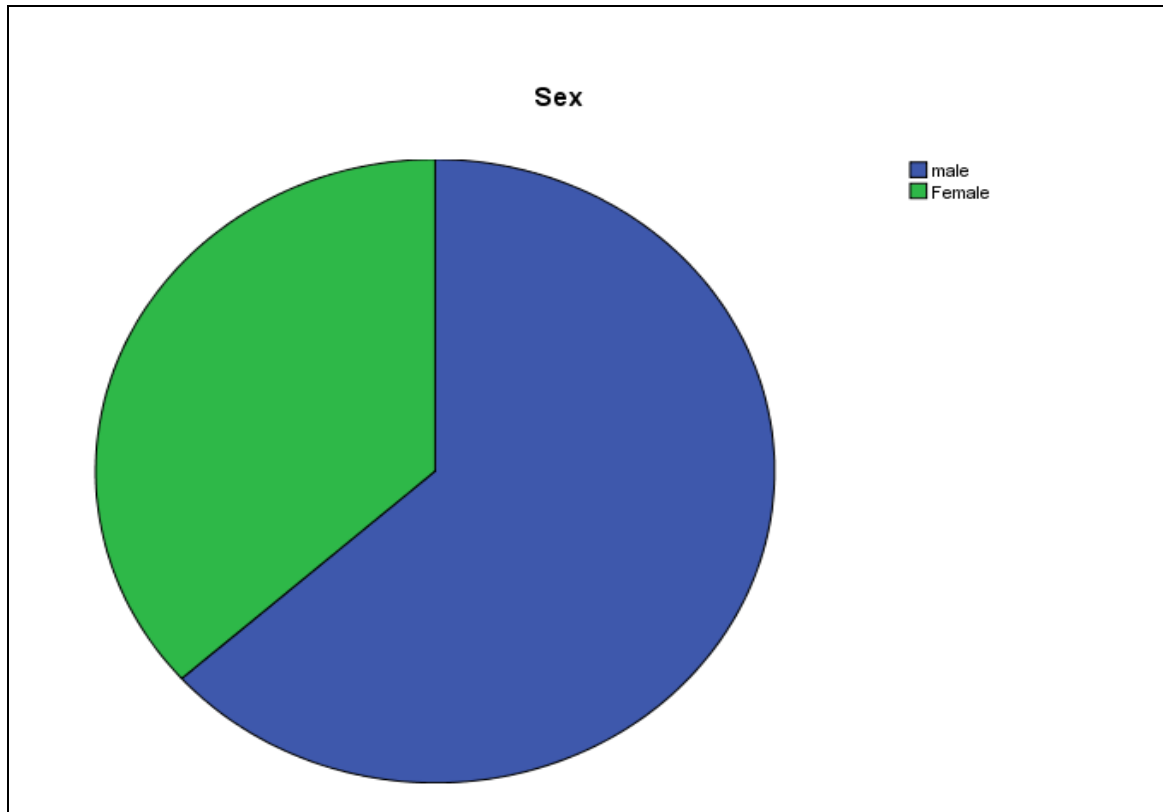
Second part entails the discussions relating to assessment of effectiveness level of Internal Audit at MDC. Third part of the chapter provides the discussions relating to assessment of effectiveness of Internal Audit and financial performance of MDC. Fourth part of the chapter provides the discussions relating to other factors affect effectiveness of Internal Audits and the last part of the chapter provides the discussions from documentary reviews

5.2 Background Characteristics of Respondents

5.2.1 Sex of the Respondents

The finding indicate that majority of respondents 52(63.4%) were males and the remained 30(36.6%) were female as shown on figure 5.2(a) below.

Figure 5.1(a): Sex of Respondents



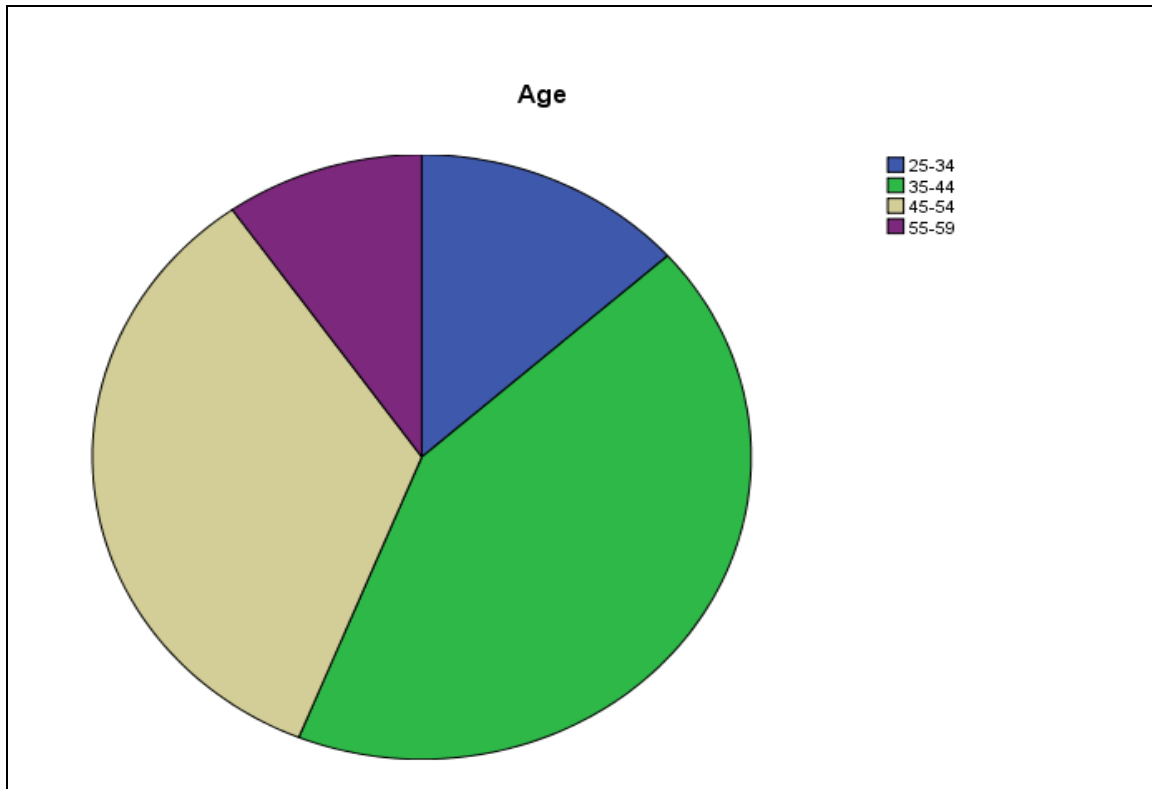
Source: Study Findings, 2015

The findings revealed that the difference in percentage arose as a matter of fact that most men were participating in decision making process than women at MDC. Most of them found at lower, middle and high level of management and were selected during the study.

5.2.2 Age of Respondents

The finding indicate that majority of age of respondents were between 35 and 44 that was 35(42.7%) as indicated in figure 5.2(b) below

Figure 5.2(b): Age of Respondents.



Source: Study Findings, 2015

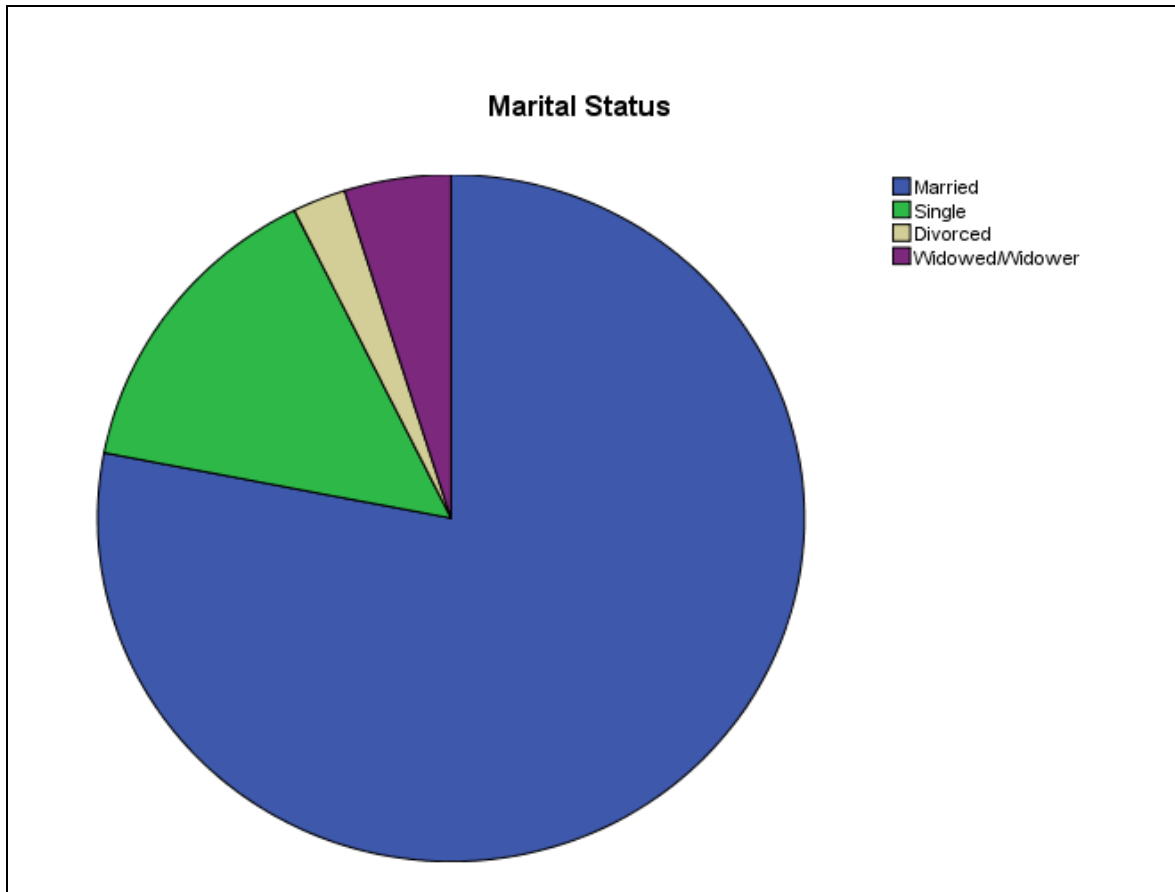
This indicates that majority of respondents engaged in decision making process and ranged between 35 and 44 ages, followed by employees aged between 45 and 54.

5.2.3 Marital Status of Respondents

The study found that majority of respondents 64(78%) were married as shown on figure 5.2(c).

This indicates that majority of the respondents engaged in decision making process and were married.

Figure 5.3(c): Marital status of Respondents.

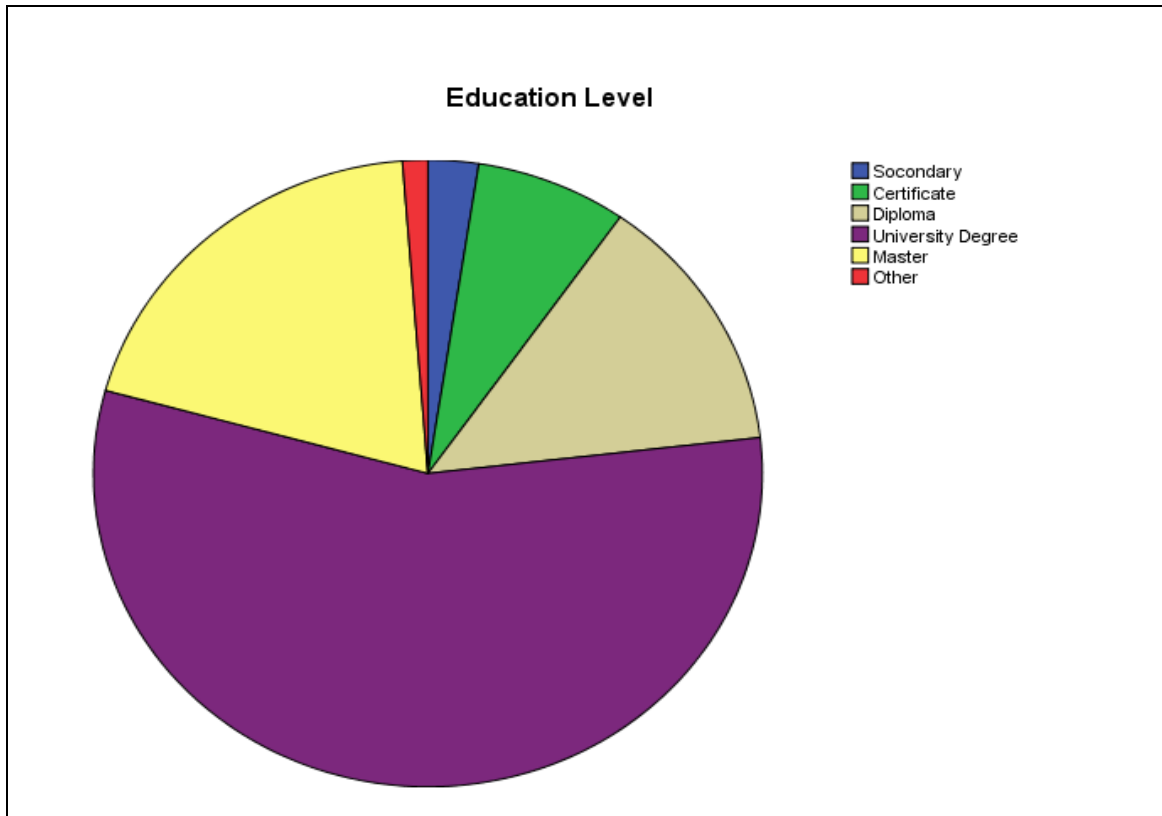


Source: Study Findings, 2015

5.2.4 Education Level of Respondents

The study found that majority of respondents had university degree followed by respondents who had Master degree and the rest had secondary level, Certificate, Diploma and other education as indicated on figure 5.2(d).

Figure 5.4(d): Education Level of Respondents



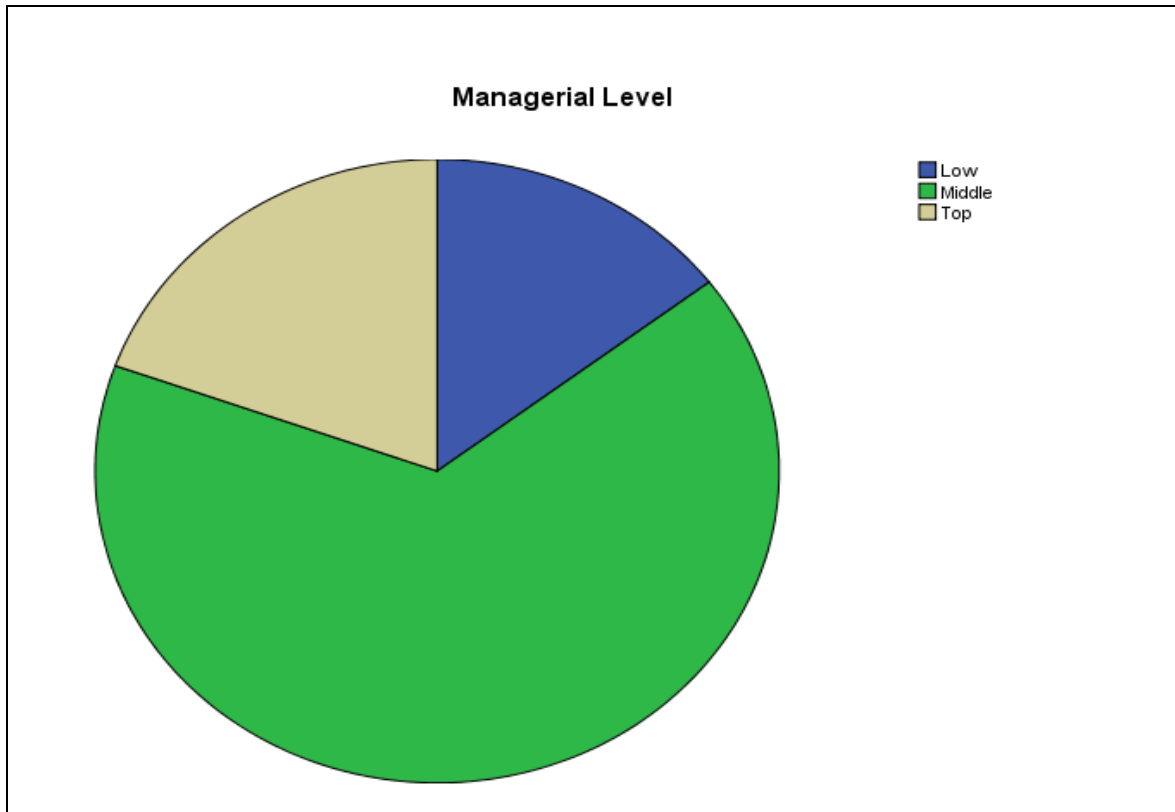
Source: Study Findings, 2015

This indicates that majority of respondents had either university degree or Master degree. This implies that the most of respondents engaged in this study have knowledge from what the study trying to assess in MDC.

5.2.5 Managerial Level of Respondents

The study found that majority of respondents 54(65.9%) work at middle management level, 16(19.5%) of respondents work at top management level and 12(14.6%) work at lower management level as indicated on figure 5.2(e).

Figure 5.5(e): Education Level of Respondents



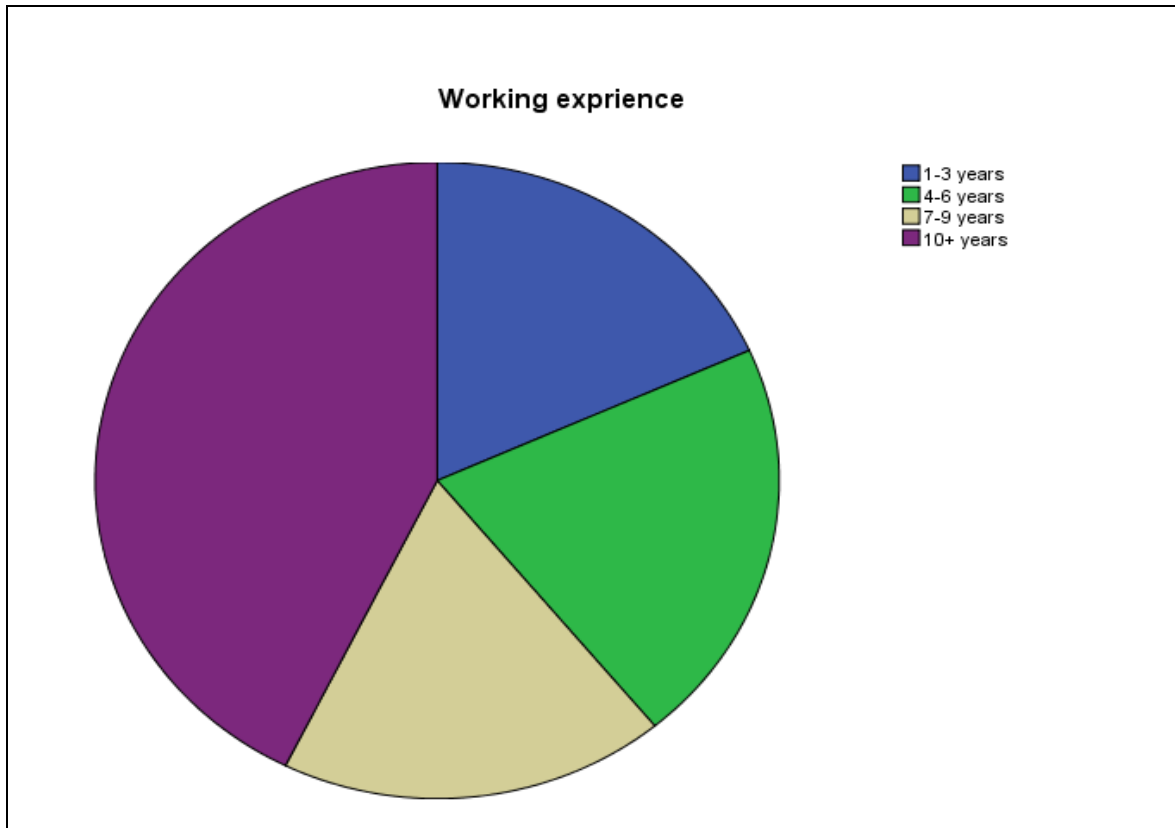
Source: Study Findings, 2015

This indicates that in composition of managerial level at MDC, Middle level contributes a high percent followed by Top management level and lower level. This implies that the intended respondents in the study had managerial skill and knowledge of what the study wanted to assess.

5.2.6 Working experience of Respondents

The study found that majority of respondents at MDC had working experience of more than 10 years as indicated on figure 5.2(f).

Figure 5.6(f): Working experience of Respondents



Source: Study Findings, 2015

This implies that the respondents in this study had enough work experience at that organisation and knowledge of what the study assessed.

5.3 Assessment of Effectiveness Level of Internal Audit of MDC.

5.3.1 Checking the Assumptions of Multiple Regression Analysis

5.3 .1.1 Outliers, Normality, Linearity, Homoscedasticity, Independence of Residuals Assumption

From the graph 4.3(1a & 2a) page 54 and 55, the result indicated that in the normal probability plot majority of points were reasonable straight diagonal line from bottom left to top right and the scatter plot of the standardised residuals the points was roughly

rectangular distributed, with most of the scores concentrated in the centre. This implies that according to Tabachnick and Fidell, (2001), the assumption of normality, linearity, Homoscedasticity, independence of residuals was not violated.

5.3.1.2 Evaluating the Model

From the Model Summary box as indicated in table 4.3 (a) page 56, the value of R-Square was 0.260 or 26% and Adjusted R-Square was 0.222 or 22.2%

In general term the value of R-Square tells us how much of the variance in the dependent variable is explained by the independent variables. (Tabachnick and Fidell, 2001)

This means that the model which includes all independent variables (top management support, professional proficiency, organisational independence, and quality of audit work) explains only 26% of the variance in dependent variable (effectiveness of Internal Audits).

In general the model was very poor this is because the value of R-Square obtained was 26.2% which was below the cut-off point which is 0.5 or 50%

5.3.1.3. Assessing the Statistical Significant of the Result.

The finding from the assessment of the statistical significance of the result indicated in table 4.3(b) page 57.

Statistical significant tests the null hypothesis that multiple R in the population equals to 0. The finding indicate that the model reaches statistical significance (Sig = 0.001, this really means $p < .0005$). Since the significant value is 0.001 (lower than 0.05) then the independent variables (top management support, professional proficiency, and organisational independence) are making a significant unique contribution to the prediction of the dependent variables (effectiveness of Internal Audits).

5.3.1. 4: Evaluating each of the Independent Variables

From the column labeled Beta under Standardised Coefficients in a table 4.3(d) page 60, by looking the largest value (ignoring any negative signs out the front), the largest beta coefficient is 0.468 which represent quality of audit work.

This means that, the variable (quality of audit work) makes the strongest unique contribution to explain the dependent variables (effectiveness of Internal Audits), the variance explain by all other variable is controlled for.

The beta value for Top management support was 0.058, professional proficiency was 0.040, and organisational independence was 0.007.

5.3.1.5. Checking for Multi-co linearity

From the column labeled Co -linearity Statistics the value of Variance Inflation Factor (VIF) and Tolerance are indicated in table 4.3(e) page 62, and their results test multi-co linearity assumption.

The findings indicate that no problem with multi co- linearity assumption for all independent variables. Both test (Variance Inflation Factor (VIF) and Tolerance) indicated that no problem with multi co- linearity assumption.

This is because a Tolerance value for all independent variables is higher than 0.20 (cut off points of Tolerance).The Tolerance value for top management support was 0.850, quality of audit work was 0.586, professional proficiency was 0.657, and organisational independence was 0.690 .This implies that no problem with multi co-linearity assumption, because their value is higher than cut off point of Tolerance.

Also the Variance Inflation Factor (VIF) for all independent variables is smaller than 5.0 (cutoff points of VIF). The VIF value for top management support was 1.176, quality of audit work was 1.706, professional proficiency was 1.522, and organisational independence was 1.450. This implies that no problem with multi co-linearity assumption, because their value is smaller than a cutoff point of VIF.

5.3.2 Inter-correlation between Independent Variable and Dependent Variables.

The study also aimed to assess the effectiveness level of Internal Audit at MDC. In order to carry out such study the following null hypothesis (H_0) were tested;

H_0 : Professional proficiency of the Internal Audits was not related to effectiveness of Internal Audit. H_0 : $R_1 = 0$

H_0 : Organisational independence was not related to effectiveness of Internal Audit. H_0 : $R_2 = 0$

H_0 : Quality of the auditing work was not related to effectiveness of Internal Audit. H_0 : $R_3 = 0$

H_0 : Support from top management was not related to effectiveness of Internal Audit. H_0 : $R_4 = 0$

H_0 : $R_1 = R_2 = R_3 = R_4 = 0$

The finding of inter-correlation between independent variables and dependent variables are indicated in the table 4.3(f) page 64, the findings indicate that;

- There was strong significant relationship between effectiveness of Internal Audits at MDC and professional proficiency $r=0.313$, $P=0.002$
- There was strong significant relationship between effectiveness of Internal Audits at MDC and quality of audit work $r=0.506$, $P=0.001$
- There was significant relationship between effectiveness of Internal Audits at MDC and organisational independence $r=0.265$, $P=0.008$
- There was significant relationship between effectiveness of Internal Audits at MDC and top management support $r=0.223$, $P=0.022$

This implies that H_0 : $R_1 = R_2 = R_3 = R_4 = 0$ is false statement simply because R_1 , R_2 , R_3 and R_4 does not equal to zero.

Therefore there is inter-correlation between independent variables (top management support, quality of audit work, professional proficiency, and organisational independence) and dependent variables (effectiveness of Internal Audits) at MDC.

5.3.3. Presenting the Results from Multiple Regression Analysis

The data were analyzed by using multiple regressions, using independent variables (top management support, quality of audit work, professional proficiency, and organisational independence) and dependent variables (effectiveness of Internal Audits).

The regression model was very poor (R-square = 26%), but the overall relationship was significant ($F = 6.775$, $P < 0.001$).

With other variables held constant, effectiveness of Internal Audit positively related to top management support, quality of audit work, professional proficiency, but negatively related to organisational independence.

Further the results show that effectiveness of Internal Audit at MDC was increasing by 0.058 for every improvement of top management support, 0.468 for every improvement of quality of audit work, 0.040 for every improvement of professional proficiency and was reduced by 0.007 for any change in organisational independence. Only the effect of quality of audit work was significant ($t = 3.652$, $p < 0.001$).

5.4. Relationship between Effectiveness of Internal Audit and Performance of Mufindi District Council.

The finding indicated that, the value of $r=0.413$ and value of P (Significant Level) $=0.001$ as indicate in table 4.4(a) page 65.

This implies that $H_0: r = 0$ is the false statement, this is because $r=0.413$, then the null hypothesis (H_0) which claimed that effectiveness of Internal Audit was not related to performance of MDC is a false statement from this finding.

The study found that effectiveness of Internal Audit was related to financial performance of MDC. Also the finding indicates that value of P (Significant Level) $=0.001$, this implies that there is significant relationship between effectiveness of Internal Audit and financial performance of MDC.

5.4.1 Presenting the Correlation Results

The relationship between effectiveness of Internal Audit and financial performance of MDC was investigated by using Pearson correlation coefficient.

Preliminary analyses were performed to ensure that no violation of the assumptions of normality, and linearity.

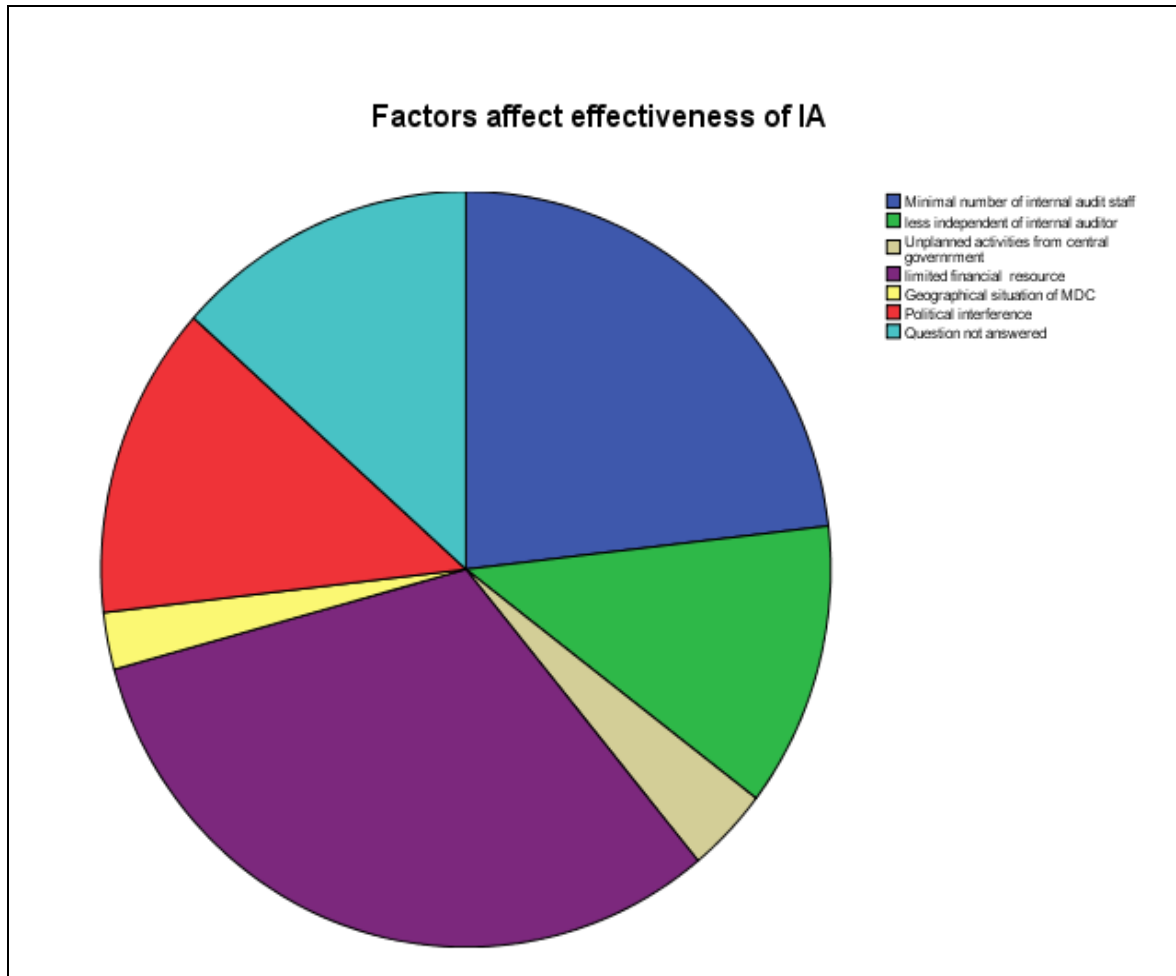
The results indicate that in a sample of 82 respondents, there is relationship between effectiveness of Internal Audit and financial performance of MDC $r = 0.413, p = 0.001$

5.5 Others factors that Affecting Effectiveness of Internal Audits apart from Top Management Support, Quality of Audit Work, Professional Proficiency, and Organisational Independence

On the open question that was related to other factors affecting effectiveness of Internal Audit on performance of MDC apart from top management support, quality of audit work, professional proficiency, and organisational independence.

The results as indicated in table 4.5(a) page 68, show that 19(23.2%) of respondents suggest minimal number of Internal Audit staff as one of factor, 10(12.2%) of respondents suggest less independent of Internal Audit as other factor, 3(3.7%) of respondents suggest unplanned activities from Central Government as another factor, 26(31.7) of respondents suggest limited financial resource as another factor, 2(2.4%) of respondents suggest geographical situation of MDC as another factor, 11(13.4%) of respondents suggest political interference as another factor and the rest 11(13.4%) of respondents does not fill that question.

Figure 5.7(a) Results of other Factors that Affect effectiveness of Internal Audits.



Source: Study Findings, 2015

From the figure 5.5(a) page 52, the result show that majority of respondents suggested that limited financial resource is the most of the factor that affect effectiveness of Internal Audits apart from top management support, quality of audit work, professional proficiency, and organisational independence followed by limited staff in Internal Audit , political interference and less independence of Internal Audit

CHAPTER SIX

SUMMARY, CONCLUSIONS, AND POLICY IMPLICATIONS

6.1 Introduction

This chapter presents summary, conclusions, policy implications and recommendations reached from the study findings.

6.2 Summary

During the assessment of effectiveness level of Internal Audit at MDC, the findings indicate that there was inter-correlation between independent variables (top management support, quality of audit work, professional proficiency, and organisational independence) and dependent variables (effectiveness of Internal Audits) at MDC. Detailed findings indicate that;

- i. There was strong significant relationship between effectiveness of Internal Audits at MDC and professional proficiency at $r=0.313$, $P=0.002$.
- ii. There was strong significant relationship between effectiveness of Internal Audits at MDC and quality of audit work at $r=0.506$, $P=0.001$.
- iii. There was significant relationship between effectiveness of Internal Audits at MDC and organisational independence at $r=0.265$, $P=0.008$.
- iv. There was significant relationship between effectiveness of Internal Audits at MDC and top management support at $r=0.223$, $P=0.022$

With other variables held constant, effectiveness of Internal Audits positively related to top management support, quality of audit work, professional proficiency, but negatively related to organisational independence. The results show that effectiveness of Internal Audit was increasing by 0.058 for every improvement top management support, 0.468 for every improvement of quality of audit work, 0.040 for every improvement of

professional proficiency and was reduced by 0.007 for any change in organisational independence. Only the effect of quality of audit work was significant ($t = 3.652$, $p < 0.001$).

This implies that $H_0: R_1 = R_2 = R_3 = R_4 = 0$ is false statement simply because R_1 , R_2 , R_3 and R_4 does not equal to zero. Therefore there is inter-correlation between independent variables (top management support, quality of audit work, professional proficiency, and organisational independence) and dependent variables (effectiveness of Internal Audits) at MDC.

Also during the assessment of relationship between effectiveness of Internal Audit and performance of MDC, the finding indicated that, the value of $r=0.413$ and value of P (Significant Level) $=0.001$. This implies that effectiveness of Internal Audit is related to performance of MDC. Then the performances of MDC depending on other factors include effectiveness of Internal Audit.

On the open question that was related to other factors affecting effectiveness of Internal Audit on financial performance of MDC apart from top management support, quality of audit work, professional proficiency, and organisational independence. The majority of respondents suggested that limited financial resource is the most factor affecting effectiveness of Internal Audits apart from top management support, quality of audit work, professional proficiency, and organisational independence followed by limited staff in Internal Audit, political interference and less independence of Internal Audit.

6.3 Conclusion

The results show that there is inter-correlation between independent variables (top management support, quality of audit work, professional proficiency, and organisational independence) and dependent variables (effectiveness of Internal Audits) at MDC.

The study concludes that despite the fact that the independent variables used to assess the effectiveness of Internal Audit show a highly correlated to effectiveness of Internal

Audit, the Internal Audit at MDC on average is effective. This is because the unit is understaffing and not being fully independent.

The result indicates that, with other variables held constant, effectiveness of Internal Audits positively related to top management support, quality of audit work, professional proficiency, but negatively related to organisational independence.

The results imply that in order to improve effectiveness of Internal Audit, management should increase support to the Internal Audit in order for them to perform their duties. The support can be in form of monetary term or non monetary term, management should also make sure that the quality of audit work for Internal Audits increase. Further, management should make sure that professional proficiency of Internal Audits improved; at same time the Internal Audit should be full independent to perform their duties.

Also during review and assessment of Internal Audit's documents such as; Internal Audit reports, Internal Audit action plan, Internal Audit files, personal file, training programme, Internal Audit budgets and Internal Audit charter in order to confirm some information from respondents. The results indicated that Internal Audit at MDC qualify for quality assurance, they implement their activities as planned, they comply with auditing standard, procurement laws, and financial regulation, they have their own vote and budget, attend different seminars to upgrade their skill, the unit had only three staffs, the staff are competent to perform auditing activities, their reports are standard as required by auditing standard, and their recommendation add value to the Council.

Also in assessing the relationship between effectiveness of Internal Audit and financial performance of MDC, the result indicated that, effectiveness of Internal Audit at MDC influence financial performance of MDC. This means that the financial performances at MDC depending on other factors include effectiveness of Internal Audit.

6.4 Policy Implications

From the findings of study it is recommended that in order to improve level of effectiveness of Internal Audit;

- i. Top management should increase both monetary and non monetary support to Internal Audit in order for them to handle their activities effectively.
- ii. Internal Audit staff should improve the quality of audit work in order for them to add value to their organisations.
- iii. Ministry responsible for LGAs and IAG should increase the Internal Audit budget in order to complete their activities as planned.
- iv. Ministry responsible for LGAs and IAG should improve the level of independence of Internal Audit staff.

6.5 Areas for Further Studies

The study carried out in order to assessing effectiveness of Internal Audit on LGAs in Tanzania.

During the assessment of effectiveness of Internal Audit only four factors (top management support, quality of audit work, professional proficiency, and organisational independence) were used to assess effectiveness of Internal Audit at MDC. Despite the fact that, the result indicate the inter co-relation between those factors used in study and effectiveness of Internal Audit at MDC, further study is required to;

- i. Test how or to what extend other factors such us minimal number of Internal Audit staff , less independent of Internal Audit, unplanned activities from Central Government , limited financial resource , geographical situation of Council, and Political interference as suggested by respondents affect effectiveness of Internal Audit in other area or MDC.
- ii. Assesses how effectiveness of Internal Audit at MDC related to other dimensions of performance of MDC.

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APPENDICES I

RESEARCH ACTIVITIES AND TIME PLAN

S/ N	ACTIVITY	PARTIC IPANTS	DURATION (MONTH) 2014/15							
			Nov/2 014	Dec/2 014	Jan/ 2015	Feb/2 015	Mar/2 015	April/20 15	May/ 2015	
1	Preparation of Research Proposal and Approval.	Researcher								
2	Field Work Data Collection	Researcher								
3	Data Analysis/ Processing	Researcher								
4	Data Interpretation	Researcher								
5	Report Writing	Researcher								
6	Submission of the Report	Researcher								
7	Consultation	Researcher/ Supervisor								

APPENDICES I1

QUESTIONNAIRE FOR HEAD OF DEPARTMENTS, SECTION AND THEIR SUBORDINATES, MEMBER OF AUDIT COMMITTEE, MEMBER OF FINANCE COMMITTEE AND INTERNAL AUDIT

Dear Sir/Madam

I, Erick Anthony conducting this field research in partial fulfillment of the requirement for the award of Master Degree dissertation requirements for Mzumbe University for the award of Master Degree in Science of Accounting and Finance (Msc. A & F). I will be grateful if you could give me some information through this questionnaire. The information provided will be treated with great confidentiality.

You are kindly asked to fill this questionnaire as part of a study on “Assessments of impact of Internal Audit effectiveness on performance of Local Government Authorities in Tanzania, A case of Mufindi District Council.

I thank you very much for your time and efforts spent to complete as well as returning this questionnaire.

Instructions:

- a) *Please read through each statements and decide how much you either agree or disagree with each statement. (Please tick whichever applies)*
- b) *Please fill the gap with an appropriate answer. (Please fill whichever applies)*

PERSONAL DATA

1. Age of respondent in (years)

(a) 25-34

☐

(b) 35-44

☐

(c) 45-54

☐

(d) 55-59

☐

2. Sex of respondents

(a) Male

☐

(b) Female

☐

3. Marital status of respondents

(a) Married

☐

(b) Single

☐

(c) Divorced

☐

(d) Separated

☐

(e) Widowed/Widower

☐

4. Education level

(a) Secondary education

☐

(b) Certificate

☐

(c) Diplomas

☐

(d) University degree

☐

(e) Master

☐

(f) Others (specify)

5. What is your managerial Level?

(a) Low

☐

(b) Middle

☐

(c) Top

☐

6. How long have you been worked here?

(a) 1-3years

☐

(b) 4-6years

☐

(c) 7-9years

☐

(d) 10+ years

☐

RESEARCH DATA

SECTION A:

This section bears questions relating assessment of effectiveness level of Internal Audit of MDC.

Please read through the bolded factors and from which decide how much you either agree or disagree with each statement from those factors.)

Professional proficiency

(1) The organisation allows Internal Audits to participate in a capacity building and training programs in order to maintain their skills.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

(2) Internal Audits have appropriate level of education in auditing financial and operational system in organisation.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

(3) Internal Audits have appropriate computerized knowledge in auditing computerized financial system in organisation.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

(4) The capacity building and training done by Internal Audits add value on effectiveness of Internal Audit.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

(5) Internal Audits have appropriate knowledge in auditing different operations within MDC.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

Quality of audit work.

1. The auditing conducted by Internal Audits was completed within a timeframe agreed before audit process.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

1. The overall auditing done by Internal Audits improves effectiveness in operation at your area.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

2. Internal Audit's teams kept inform you a key issue through the audit process.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

3. The response of auditee to the Internal Audit is submitted in writing and is relevant and comprehensive.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

4. The annual audit plan approved by audit committee before implemented by Internal Audits.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

5. There is regular follow-up by the Internal Audits on previous audit queries raised by them.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

Organisational independence

1. The Internal Audit has direct working relations with the head of department and section, audit committee and district executive director.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

2. The Internal Audit staff has free access to information and data about the organisation during auditing.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

3. The Internal Audit performs their duties free as they planning without directed by head of department and district executive director (Ded).

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

4. Internal Audit sometimes takes part in designing internal control systems in the organisation.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

5. The Internal Audit at MDC are independently during their operations, they can audit any issue it considers need of auditing.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

Top management support

(1) Top management supports the Internal Audits during the auditing process.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

(2) Top Management assigned enough budgets to support Internal Audit.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

(3) Top Management support and encourage Internal Audits to attend different training in order to develop auditing skills.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

(4) Top Management support Internal Audits to implement their planning activities.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

(5) Top Management ignores Internal Audits requesting to use their budget in implementing their activities.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

SECTION B:

This section bears questions relating to effectiveness of Internal Audit.

i) Internal Audit at MDC is very effective in achieving the goal of stakeholders of MDC

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

ii) Internal Audit's activities are very effective in meeting performance of Mufindi District Council

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

iii) Internal Audit report's findings and recommendations issued by Internal Audits improve financial performance of MDC.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

iv) Internal Audit activities help your department or section in reaching the financial performance of MDC.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

v) Internal Audit activities help to reduce the number of audit queries issued by CAG on assessment of performance of MDC.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

SECTION C:

This section bears questions relating to the assessment of performance of MDC.

- 1) MDC abide with budgetary controls over expenditure to ensure that resources are used in an effective, efficient, economical and transparent manner.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

- 2) In performing their activities MDC abide with financial and procurement regulation, directives and other regulation.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

- 3) All expenditures and revenue collected are adequately recorded and reported in financial statement MDC.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

- 4) MDC has good financial controls and management over Donor Funded Projects and other funds as per memorandum of understand and government directives.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

5) The numbers of audit quires from CAG has been decreased in a year 2010 to 2014.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

6) The capacity of MDC of revenue collection has been increased in a year 2010 to 2014.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

7) According to CAG report and their opinion the financial performance of MDC was improved in a year 2010 to 2014.

Strongly Disagree ☐ Disagree ☐ Neutral ☐ Agree ☐ Strongly Agree ☐

SECTION D:

This section bear's question relating to the other factors that affecting Internal Audit effectiveness and performance of MDC.

(1) What other factors do you consider affecting effectiveness of Internal Audit at MDC on financial performance of MDC?

a) -----
