DEPARTMENT OF ACCOUNTING AND FINANCE

THE IMPACT OF INEFFECTIVENESS OF THE INTERNAL AUDIT IN PUBLIC SECTOR MANAGEMENT

THE CASE OF MOROGORO MUNICIPAL COUNCIL

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THE CASE OF MOROGORO MUNICIPAL COUNCIL

By

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A Research Dissertation Paper Submitted in Partial Fulfillment of the Award of Masters Accounting and Finance at Mzumbe University.

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled **"Department of accounting and finance the impact of ineffectiveness of the internal audit in public sector management: The case of Morogoro municipal Council",** in partial fulfilment of the requirements for the Degree of Master of Science in Accounting and Finance of Mzumbe University.

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I, Mbembela Victor, G. declare that this research is my own work and has never been submitted elsewhere for the award of any academic qualification or any purpose.

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DEDICTION

This work is entirely dedicated to my beloved Mother Yuster Kajala, my Father Godfrey Mbembela who was passed away on 19th December 2008,my sisters Maria, Lucy, Queen, Neema, Irene, Gift, Angel, Dayness, Happy, Pepetua and Shukran, my brothers Edward, Jacob, Godfrey, Dominic, Dickson, Steven, Goodluck, Baraka, Itika, George, Mashaka, and Daniel for their hand to hand support, financially, materially and psychologically. May the almighty God bless them.

ACKNOWLEDGEMENT

First and foremost, I would like to thank God who kept me alive with health enough during my whole time of studies at Mzumbe University. Besides that, I would like to convey heartfelt gratitude to my Parents, Mr. and Mrs. Mbembela, my wife to be Catherine Bulaya and my research supervisor, Prof. G. Nyamsogoro for assistance in completion of my dissertation.

Also I would like to thank all lecturers in Mzumbe University as in one way or another contributed to my study. My acknowledgement will be meaningless if I don't thank my close friends Ernest Shedafa, Mrs Kapula, Kitupula, Victor Setembo, C.njama, Rehema Mwamundela, Henry Kimango, and those who I did not mentioned for their contribution to this research paper.

LIST OF ABREVIATIONS

NAO	-	National Audit Office
DC	-	District Commissioner
SAIs	-	Supreme Audit Institutions
MSC	-	Masters in Science

ABSTRACT

The main objective of the study was to assess the impact of ineffective internal audit in Morogoro municipal. The specific objectives of the study were; to identify the roles of internal audit in the public sector, to identify the challenges of the public sector internal audit and to identify economic implications of the ineffective internal auditing system in the public sector management.

The study was conducted in Morogoro municipal, Morogoro district in Morogoro region. The targeted population of the study was the Morogoro municipal workers in the fields of economy including procurement officers, stores, accounting and finance and internal control department. The sample size of the study was 50 respondents. The purposive sampling technique was used to choose the workers for the research sample. The study instruments which were used in the study were questionnaire which was asked municipal workers, interview which was conducted with procurement officers and accounting and finance officers and the observation which was made by the researcher in the study area.

The findings indicate that oversight, insight, foresight, governance, control and risk management as roles of the internal audit, although there were other roles. Respondents also mentioned developing methodologies, computerized tools communication and the relationship between internal and external audit were the challenges to the public internal audit sector. Also when the respondents were asked if there were any economic implications due to ineffective internal audit, they mentioned in accomplishment of programs, low productivity, and the collapse of the economy and less risk assessment as the economic implications.

The findings discussed by the researcher based on each specific objective, made him to give the following conclusions. The roles of the internal auditors in the public sector should be taking into consideration in each budget of Morogoro municipal so as to reduce the effects that have been caused by ignoring such roles to be played by

auditors which are very important. Also, for effective auditing there must be time to time examination of the challenges facing internal auditors in public sector such as methodologies and computerized tools and technology. The examination of those challenges will help in eliminating them and eventually creating a conducive and smooth environment for auditors in this World of science and technology. Lastly the economic implications caused by the ineffective internal auditing system found in this study should be the foundation in the revolution in making sure that positive steps are taken day after day and not repeating the same mistakes.

Following recommendations were given from the findings; the roles of the internal auditors should highly considered. Also challenges facing the internal auditors in the public sector management should be checked often. Lastly, I recommend, the administration of Morogoro municipal should check economic implications caused by the ineffective internal audit in previous years and learn and plan by considering the roles and the challenges in the public sector management for better future

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CHAPTER ONE

1.0 BACKGROUND OF THE STUDY

1.1 Introduction

Ali, A. Gloeck, J. D. Ali, A. Ahmi, A. & Sahdan, M. H (2007) Internal auditing is a profession and activity involved in advising organizations regarding how to better achieve their objectives through managing risks and improving internal control. Internal auditing involves the utilization of a systematic methodology for analyzing business processes or organizational problems and recommending solutions. The scope of internal auditing within an organization is broad and may include various internal control related activities such as the review of the effectiveness and efficiency of operations, the reliability of financial reporting, investigation fraud, risk assessment, safeguarding of assets, and compliance with laws and regulations. Internal audit activities therefore provide assurance on the effectiveness of public sector entities' internal control environment and may identify opportunities for performance improvement.

Internal auditing is conducted by persons within or outside the organization and in diverse legal and cultural environments; within organizations that vary in purpose, size, complexity, and structure. Even though the above differences may affect the practice of internal auditing in each environment, conformance with The IIA International Standards for the Professional Practice of Internal Auditing (Standards) is essential in meeting the responsibilities of internal auditors and the internal audit activity (IIA 2008, p.1)

The Office of the Controller and Auditor General of the United Republic of Tanzania is a constitutional office established in accordance with Article 143 of the Constitution of the United Republic of Tanzania 1977 (revised 2005).

Public audit in Tanzania is emphasized under Sect.26 of the Public Finance Act No.6 of 2001 (revised 2004) as amended by the Public Audit Act No 11 of 2008 and Sect.44 (2) of Public Procurement Act No.21 of 2004. Sub section (5) of Article 143 of the Constitution of URT requires the Controller and Auditor General to audit all Public Authorities and other Bodies at least once in every financial year. Moreover, Section 37 sub sect (5) of Public Finance Act 2001 (revised 2004) replaced by Sect 33 of the Public Audit Act No 11 0f 2008 allows the Controller and Auditor General to authorize any person eligible to be appointed as an auditor of a company or any officer to inspect, examine or audit on his behalf the books of accounts of anybody that the CAG may be required to audit.

In understanding of the legal framework governing the audit of Public Authorities, one has to take into consideration the fact that a number of Public Authorities are required to operate under the accrual accounting system which will necessitate these authorities to be IFRS compliant. In such situation, the Public Authorities legal framework governing their financial reporting and auditing will either be the Companies Act No.12 of 2002 or the enabling Acts of Parliament of the respective Public Authorities.

Internal controls are the one play the role of preventing and detecting frauds/misappropriations and protecting the public resources, both physical and intangible. At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level on the other hand, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the payments to suppliers and service providers are for valid goods and services rendered).

Checking of compliance with internal controls is the role of an internal auditor which means the weakness in the functioning of internal audit unit, equally means the weakness in operationalisation of internal controls. Reg. 34 of the PFR 2001 (revised 2004) details what roles to be played by the internal auditor in respect of internal control system. Moreover, Reg.35 (2) of PFR 2001 (revised2004) emphasizes on the responsibility of management in prevention, detection and investigation of frauds (General Report on LGAs 2010/2011).

General trend of audit opinions issued to LGAs for the year 2007/08, 2008/09, 2009/10 and 2010/11, the rationale of this presentation is to determine trends of financial performance and accountability of LGAs for a period of four years. For four years the unqualified opinions have increased by 4% from the year 2007/08 to 2008/09, decreased by 9% from the year 2008/09 to 2009/10 and increased by 5% from year 2009/10 to 2010/11 and Qualified opinions have decreased by 5% from the year 2007/08 to 2008/09, increased by 7% from the year 2008/09 to 2009/10 and decreased by 6% from the year 2009/10 to 2010/11 where adverse opinions have increased by 1% from the year 2007/08 to 2008/09, increased by 2% from the year 2008/09 to 2009/10 and also increased by 1% from year 2009/10 to 2010/11 (General Report on LGAs for 2010/2011).

Eleven (11) Councils had maintained the status of receiving modified audit opinion (adverse/qualified) for four years. Twenty nine (29) Councils dropped from the previous years where they received unqualified audit opinions to the current years where they received qualified and adverse audit opinions these councils are Mvomero DC, Kilosa DC, Morogoro DC, Monduli DC, Ngorongoro DC, Longido DC Makete DC, Moshi DC, Mwanza CC, Namtumbo DC, Korogwe TC.

1.2 Statement of the problem

Barker E (1999) The audit function has become an integral part of government financial management and an instrument for improving performance in the public

sector. The need for good governance and accountability has compelled governments to demonstrate a stronger sense of responsibility in the use of public funds and efficiency in the delivery of services. Management of national economies today is more complex and demands greater competency and professionalism from internal auditors if they are to be able to assist government in ensuring that scarce resources are deployed more efficiently and to also effectively deal with the associated risks. Johnson I, (1996) Effective internal oversight and monitoring are crucial to good governance and effective Public Financial Management (PFM). Internal oversight includes the internal audit function that must be effective and should comply with generally accepted auditing standards with regards to practice and approach. (PEFA, 2005)

The focus of internal auditing was to determine whether public funds have been spent for the purposes for which they were appropriated and thereby promoting accountability. Internal audit undertakes reviews of individual systems and processes and consequently makes recommendations to heads of public sector entities on how internal controls could be improved. An internal audit function is an essential part of any public expenditure management system and should ensure that public spending is within budgetary provisions; disbursements comply with specified procedures, provides for the timely reconciliation of accounts and effective systems for managing and accounting for physical and financial assets (Commonwealth Secretariat 2005, p.17).

According to Baltaci & Yilmaz (2006, p.15), the effort to reform a fiscal system should include internal control and audit due to the crucial role they play in enhancing accountability and effectiveness. Internal auditors in the public sector work with management to improve service delivery, secure their commitment to improve internal controls and to ensure compliance with applicable laws.

The amount of qualified report in the Local Government Authority particularly Municipality level such that Eleven (11) Councils had maintained the status of receiving modified audit opinion (adverse/unqualified) for four years. Twenty nine (29) Councils dropped from the previous years where they received unqualified audit opinions to the current years where they received unqualified and adverse audit opinions. Those councils are Mvomero DC, Kilosa DC, Morogoro DC, Monduli DC, Ngorongoro DC, Longido DC Makete DC, Moshi DC, Mwanza CC, Namtumbo DC, Korogwe TC (CAG report 2011). The situation brings different views on internal audit department. Morogoro municipality in particular has to garner her resources for effective developmental utilization and the need for the services of Internal Auditors in the Public Sector becomes more imperative.

As there is little studies which have been carried out on the area about the problem, hence the aim of this study to assess critically the ineffectiveness of the Internal audits as instrument of improving Public Sector Management.

This study therefore, was aimed to assess the impact ineffectiveness of the internal audit upon improving public sector management in Morogoro Municipal. Also the study was concerned with what should be done so as to reduce or eliminate the problem of ineffectiveness of the internal audit so as to improve the Public sector management. Those implication are collapse of the economy, less risk assessment on the council and low productivity.

1.3 Objectives of the Study

The general Objective of this study was to assess the impact of Ineffectiveness of Internal Audit on Public Sector Management

1.3.1 Specific objectives

1. To identify the role of the internal audit in the public sector.
2. To examine challenge facing internal auditors in public sector.

3. To identify the economic implications of the ineffective Internal Auditing in the Public sector Management.

1.3.2 Research questions

1. What are the roles of Internal Audit in the Public Sector?
2. What are the challenges facing internal auditors in public sector?

3. What are the economic implications of the ineffective Internal Auditing in public sector management?

1.4 Scope of the study

This study was undertaken to cover the information on the assessment on the Effectiveness of Internal Audit in Improving Public Sector Management 2007 up to 2013. This study focused on how internal audit improved public sector management and how best this could be maximized for the benefit of the LGAs, techniques used by Morogoro Municipality to increase Effectiveness of Internal Audit.

1.5 Significance of the study

Therefore, findings emanating from this study and its recommendations are an important tool for policy and decision makers in creating favorable environment for both Public and Private Sector internal audit effectiveness. This also will assist Government to formulate programs primarily targeting and advise municipality to overcome the unqualified report to internal auditors in Municipality level.

More significantly, this study will help the researcher to have partial fulfillment of Master degree of Accounting and Finance at Mzumbe University.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Theoretical Frameworks

Unegbu and Obi (2007) defined internal audit as part of the Internal control system put in place by management of an Organization to ensure adherence to stipulated work procedure and as aid to management.

Internal audit "measures, analyses and evaluates the efficiency and effectiveness of other controls established by management in other to ensure smooth administration, control cost minimization, and ensure capacity utilization and maximum benefit derivation. In the view of Adeniji (2004) Internal audit is part of the internal control system put in place by management of an organization. It is an aid to management; it ensures that the financial operations are correctly carried out according to the law and also in accordance with the wishes of the board or council.

Internal audit is a branch of management, which enables compliance with established financial instructions on expenditures. In order to achieve agreed objectives, public sector officers must incur expenses in line with established financial instructions.

It is the responsibility of the internal audit to ensure adherence to these instructions by personnel involved in public sector administration. According to Howard (1998) it is appropriate to contrast the public sector with that of private sector. To the former, the main objective of the enterprise in principles is not to make profit but render services. Nwanyawu (2002) opined that public sector auditing means independent examination of an expression of opinion on the financial statements of government establishment, by appointed auditor in pursuance of that appointment and in compliance with the enabling constitution.

The final accounts in the public sector especially for the Federal, State and Local government are classified into funds, including: Consolidated Revenue Fund, Development Fund, Treasury Fund, Special and Trust Funds, Contingency Fund.

Van G (2005) said that objective of internal auditor is to evaluate effectiveness of financial and operating control, confirm compliance with company policies, procedure, protect assets verify the accuracy and consistency of organization's external and internal reports. Stoner A (1982) was of the opinion or view that the objective of internal audit is to evaluate several of the organization's reports for accuracy and usefulness and also recommending improvement of the control system. Owler and Brown (1999) stipulated that the objective of internal auditor is to protect management against errors of principle and neglect of duty. Barker (1999) agreed with Owler and Brown but added that it is to review the operations and record of the undertaking and in the course of these checks much of the detailed work of the organization in respect of financial and other statements are effectively audited. Tracey (1994) is of the view that it is the responsibility of the internal auditor to review how well the accounting system works and also evaluate the effectiveness and efficiency of many operations in the organization. A lot of public sector has been operating without internal auditor.

2.1.1 The Role of Public sector Auditing

Adeniyi A (2004) Auditing is a cornerstone of good public sector governance. By providing unbiased, objective assessments of whether public resources are managed responsibly and effectively to achieve intended results, auditors help public sector organizations achieve accountability and integrity, improve operations, and instill confidence among citizens and stakeholders. The public sector auditor's role supports the governance responsibilities of oversight, insight, and foresight.

Oversight addresses whether public sector entities are doing what they are supposed to do and serves to detect and deter public corruption. Insight assists decision-makers by providing an independent assessment of public sector programs, policies, operations, and results. Foresight identifies trends and emerging challenges. Auditors use tools such as financial audits, performance audits, investigations, and advisory services to fulfill each of these roles. As an essential element of a strong public sector governance structure, auditing supports the governance roles of oversight, insight, and foresight. Because the public sector's success is measured primarily by its ability to deliver services successfully and carry out programs in an equitable and appropriate manner, public sector audit activities should have the authority and the competency to evaluate financial and program compliance, effectiveness, economy, and efficiency. Moreover, auditors also must protect the core values of the public sector, as it serves all citizens.

Adeniyi A (2004) Oversight; Auditors assist decision-makers in exercising oversight by evaluating whether public sector entities are doing what they are supposed to do, spending funds for the intended purpose, and complying with laws and regulations. Audits focusing on oversight answer the questions, "Has the policy been implemented as intended?" and "Are managers implementing effective controls to minimize risks?" Auditing supports the governance structure by verifying agencies' and programs' reports of financial and programmatic performance and by testing their adherence to the organization's rules and aims. Moreover, oversight audits contribute to public accountability by providing access to this performance information to stakeholders within and outside of the organization under audit. Elected and appointed officials as well as public sector managers are responsible for setting direction and defining organizational objectives. In addition, managers have the duty to assess risks and establish effective controls to achieve objectives and avert risks. In their oversight role, government auditors assess and report on the success of these efforts.

Oversight also describes the role many public sector auditors have to detect and deter public corruption, including fraud, waste, or abuse, and other misuses of the power and resources entrusted to government officials. Auditors monitor the effectiveness of management's internal control structure to identify and reduce the conditions that breed corruption. In many areas of the world, public sector auditors also are responsible for responding to allegations of corruption in the public sector organizations they serve through detection and deterrence.

Adeniyi A (2004) Insight; Auditors provide insight to assist decision-makers by assessing which programs and policies are working and which are not, sharing best practices and benchmarking information, and looking horizontally across public sector entities and vertically among the levels of the public sector to find opportunities to borrow, adapt, or reengineer management practices. The audit activity helps institutionalize organizational learning by providing ongoing feedback to adjust policies. Auditors conduct their work systematically and objectively to develop a detailed understanding of operations and draw conclusions based on evidence.

Therefore, audits can provide an insightful description of problems, resources, roles, and responsibilities that, combined with understanding of the root cause of the problem and useful recommendations, can encourage stakeholders to rethink solutions to problems. Not only can the performance of the specific program under audit be improved, but working through the issues brought to light by a particular audit can enhance the capacity of the public sector and the public to deal with similar problems. Audits focusing on insight contribute importantly to answering the broader question, "Has the policy brought about the intended results?" Concurrently with the accountability function, audits contribute to improving the operations of the public sector.

Adeniyi A (2004) Foresight; Auditors also help their organizations look forward by identifying trends and bringing attention to emerging challenges before they become crises. The audit activity can highlight challenges to come such as from demographic trends, economic conditions, or changing security threats and identify risks and opportunities arising from rapidly evolving science and technology, the complexities of modern society, international events, and changes in the nature of the economy. These issues often represent long-term risks that may far exceed the terms of office for most elected or appointed officials, and can sometimes receive low priority for attention where scarce resources drive more short-term focus on urgent concerns. Additionally, a common audit approach risk-based auditing focuses the audit on the organization's overall risk management framework, which can help identify and deter unacceptable risks.

Through risk-based auditing, the audit activity provides useful and relevant information to the organization for managing its risks. Audits focusing on foresight help answer the question: "What policy revisions or implementation would meet a future need or risk?" When public sector auditors focus on trends and look forward, they support decision making. Auditors also play a key role in helping managers understand and initiate risk assessments. Additionally, editing's own risk assessment ensures that audit resources are used effectively to address the areas of greatest exposure. Through these roles, auditors protect core public values.

By providing oversight, insight, and foresight services, public sector auditors help ensure that managers and officials conduct the public's business transparently, fairly, and honestly, with equity and integrity, while performing their own work using the highest standards of integrity. Auditors should not only assess the potential abuse of power, but also should be cognizant of their own power within an organization. Auditors can serve as a check on abuse of power. Public sector auditors whether appointed by the legislature or the executive or elected by the voters must be prepared to recognize and report corruption, abuse of authority, or failure to provide

equity or due process in the exercise of a governmental police or regulatory activity. Because such reporting may challenge powerful or entrenched interests, auditors require some measure of job protection to be able to report independently. Auditors must not abuse their own power. The auditor's unique role in the public sector confers power that could be susceptible to abuse. Therefore, the auditor's own work must reflect the same principles of transparency, equity, and integrity that are expected of the public sector. This means auditing issues that matter to people, writing accurate and balanced reports, and making audit reports available for public examination. Some public sector auditors may even find themselves presenting their audit findings in televised hearings or committee meetings. And certainly, public sector auditors must conduct their work with integrity and in full compliance with laws and regulations.

2.1.2 The Audit Challenges

According to Baltaci & Yilmaz (2006), the challenges facing auditors are to say the very least significant. I would broadly categorize the challenges into three main areas: developing methodologies and computerized tools to keep pace with the changes occurring in data management and communication in individual agencies encouraging and assisting. I certainly could not assert that auditors have all the answers to these challenges but we have undertaken a number of strategic decisions to improve their game and further explore ways in which we can contribute and add value to the auditors initiatives. The International Organisation of Supreme Audit Institutions (INTOSAI) EDP Committee last year released a good practice guide on developing IT strategies in Supreme Audit Institutions (SAIs). It is observed that such a strategy concerns audit staff as providers or recipients of information, direct users of systems, or through their audit work as reviewers of systems of audited bodies. Also it has noticed that the same committee has also prepared a draft guide on Information Security Review Technology.

According to Baltaci & Yilmaz (2006), Controls Based Audit Approach; An organisation's control environment is a reflection of management's commitment to establishing a framework for the implementation and execution of well controlled business operations. It strongly influences the effectiveness of the organisation's systems of controls and accordingly significantly affects the auditors assessment of the strength or otherwise of controls in their ability to prevent or detect problems well before they adversely affect an organisation. Indeed, the existence of an effective internal audit function is an important aspect of a strong control environment. Both private and public organisations typically have a mixture of information technology which has evolved over time and in response the needs and information requirements of management. Organisations often spend millions of dollars on developing and installing systems to process their financial transactions. Generally, management expects internal audit to

report on the effectiveness of controls surrounding those systems. The increasing use of information technology (IT) systems in organizations for recording their financial transactions has seen many manual processing functions, example matching of transactions being performed by the computer which has resulted in the loss of a visible audit trail.

According to Baltaci & Yilmaz (2006), Control and Regulations; Internal auditors in public institutions around the world face a unique range of challenges. Their work implies more than simple determination whether controls are in place and regulations are obeyed. Internal audit professionals have to comply with national and international audit standards to be able to identify potential fraud indicators. Structured planning as well as comprehensive supervision and reporting are key elements of their work. Furthermore, they need to be proactive and have to operate preventively to consult their organization or institution. But lack of cooperation with supportive documentations the auditors tends not to meet national and international audit standards.

According to Baltaci & Yilmaz (2006), Managing Risks and Current Trends; An efficient risk management system is necessary to develop an effective internal audit process. Even more important is constantly following current regulations, the changing legal framework and latest auditing techniques. It is therefore essential for internal auditors to keep themselves up-to-date, but large number of auditors unwillingly cannot access such up-dates.

According to Baltaci & Yilmaz (2006), Gain In-Depth Knowledge of Internal Audits in Public Institutions; internal auditors should get the opportunity to gain in-depth knowledge of internal audits in the public sector and optimise their working strategies. Exchange experiences and opinions with other international participants and benefit from the advice of our experienced and skilled experts from a broad range of national, international and public institutions, but it has been a big challenge for auditors to get a kind of opportunity for cementation of their professionalism.

2.1.3 The economic implications of the ineffective internal auditing system in public sector management

Johnson (1996), Ineffective internal auditing systems bring outcomes that have negative economic implications to any organization or institutions.

Johnson (1996), In accomplishment of Programs; The fore most economic implication of ineffective internal audit is the failure of the program in a certain organization or institution which in turn has negative impact within the organization itself and national wise. This is because a certain program has not achieved its objectives hence the program's outcomes or results intended are not delivered.

Johnson (1996), Low Productivity Auditors are concerned with the examination of unit cost, or indicators such as utilization rates, backlogs, or service wait times.

Also to ensure that the operations maximize outputs in relation to costs and other resource inputs. The vice-versa is true, that ineffective internal audit will maximize the input and lead to less out-put.

Johnson (1996), The collapse of the Economy Auditors examines the extent to which a public sector operation has minimized its use of inputs, example money, staff resources, equipment, or facilities are consistent with the quality needs of the program. For example, an economy audit may evaluate the validity of a competitive procurement process to ensure that costs were controlled. The failure to do so, the economy of the institution will collapse.

Johnson (1996), Less Risk assessment

An auditor identifies risks that may affect achievement of an organization's strategic and financial goals and objectives and assesses management's response to those risks. In the public sector, risks go beyond normal financial and operational risks, and can include political and societal risks. For instance, some public sector risks involve the political and economic consequences of the public's perception of fair and equitable treatment of citizens, animals, the environment, and others. Auditors also conduct risk assessments to select and plan audits. With ineffective internal auditing system, the organization is faced with a lot of risks that leads to losses.

2.2.0 Empirical Literature Review

2.2.1 Role of Internal Auditing

The role of internal auditing can be identified as involving three main elements, namely the evaluation and improvement of risk management, control and governance processes. These elements are sometimes referred to as the "three pillars" of internal auditing (Figure 1 below). The three elements are further discussed below as reinforcements of the fundamentals of an internal audit function in the public sector.

Risk management, control and governance encompass the policies and procedures established to ensure the achievement of objectives and include the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioral and ethical standards set for public organizations and employees

Figure 2.1: The Three Pillars of Internal Auditing



Source: Asare 2008, p.22

2.2.2 The Role of Internal Auditing in the Public Sector - Governance

Public sector governance relates to the means by which goals are established and accomplished. It also includes activities that ensure a government's credibility, establish equitable provision of services, and assure appropriate behavior of government officials whilst reducing the risk of public corruption (IIA 2006a, p.3).According to ANAO (2003, p.6) "Public sector governance has a very broad coverage, including how an organization is managed, its corporate and other structures, its culture, its policies and strategies and the way it deals with its various stakeholders. The concept encompasses the manner in which public sector organizations acquit their responsibilities of stewardship by being open, accountable and prudent in decision-making, in providing policy advice, and in managing and delivering programs".

The broader nature of public sector governance necessitates an effective internal auditing function in order to meet the demanding responsibilities imposed by stakeholders. Internal audit can help to improve governance processes by focusing on how values are established to ensure effective and efficient control and management of public sector entities. Such a value system requires an open government that is transparent in its dealings with a high sense of ethical behavior and fairness. The complexity of the public sector operating environment requires that the internal audit structural design, approach, practice and scope are reformed to ensure open, accountable and prudent decision-making within all public sector organizations.

2.2.3 Specific Governance roles of internal audit function

Internal auditors' roles in governance are broadly identified to be twofold. Firstly, internal auditors provide independent, objective assessments on the appropriateness of the organization's governance structure and the operating effectiveness of specific governance activities. Secondly, they act as catalysts for change, advising or advocating improvements to enhance the organization's governance structure and practices (IIA2006b, p.4).

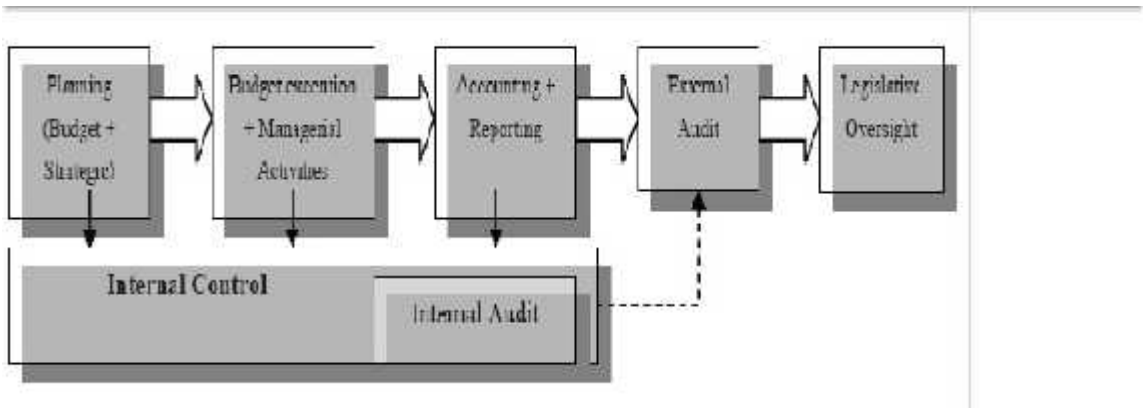
According to standard 2130, internal audit activity should assess and make appropriate recommendations for improving the governance process to accomplish the following objectives: promoting appropriate ethics and values within the organization, ensuring effective organizational performance management and accountability, effectively coordinating the activities of and communicating information among the Board, external and internal auditors and management.

2.2.4 The Role of Internal Audit in the Public Sector - Control

Management control in the public sector includes all the policies and procedures put in place by a government and the management of public sector entities aimed at promoting accountability of resources. Another term for management control is internal control.

In the public sector, controls are mainly in-built in the public financial management system. Public financial management includes the legal and organizational framework for supervising all phases of the budget cycle, including the preparation of the budget, internal control and audit, procurement, monitoring and reporting arrangements, and external audit. The broad objectives of public financial management are to achieve overall fiscal discipline, allocation of resources to priority needs, and efficient and effective allocation of public services. Internal audit, in turn, has the key function of reporting to the senior management of public sector entities on the functioning of the management control systems, and recommending improvement where applicable. Control structures and the accountability framework covers a broader spectrum of Public Financial Management issues as shown in figure 2 below, which include strategic planning (including budgeting), managerial activities (procurement, public debt and asset management), accounting and reporting, internal and external audit; and legislative oversight.

Figure 2.2: Public Financial Management Cycle



Source: Baltaci & Yilmaz, (2006), p.11

According to Baltaci & Yilmaz (2006, p.15), the effort to reform a fiscal system should include internal control and audit due to the crucial role they play in enhancing accountability and effectiveness.

Internal audit provides both governments and related parties with a powerful tool for understanding the extent to which the public institution in question has delivered on budget and effective services. Internal audit activity has become an essential internal assurance mechanism in public financial controls and tool for monitoring and evaluating managerial activities prior to external evaluation by external auditors. Internal auditors in the public sector work with management to improve service delivery, secure their commitment to improve internal controls and to ensure compliance with applicable laws. Public procurement constitutes a huge portion of government expenditure and is an area that is often vulnerable to conflicts of interest and corruption of public officials. Internal audit activities will further enhance transparency, fairness, reduce corruption and ensure value for money in public procurement.

According to Szymanski (2007, p.8), "control systems play an important role in enhancing the accountability and transparency of a public procurement system and hence in detecting and preventing corruption. Such systems should include adequate independent internal control and audit with a clear coordination of all control mechanisms". However, internal auditing as a control measure does not only minimize the opportunities for corruption through the verification of procurement processes but also ensures effective physical monitoring of capital items procured and actual utilization to avoid fraud and abuse.

2.2.5 The Role of Internal Auditing in the Public Sector - Risk Management

The demand for proper risk management strategies in the public sector emanates from the complexity and dynamism of the operating environment, ever-increasing needs of society coupled with general unpredictability pattern and dwindling of resources for national development. Risk management should constitute an essential part of the strategic management process of any entity involved in the implementation national development strategies.

According to the Australian Department of Finance and Deregulation, risk management is an important responsibility for any public sector entity for effective and efficient use of resources. It defines risk management as follows:

Risk is the possibility of an event or activity impacting adversely on an organization, preventing it from achieving organizational outcomes. Risk management comprises the activities and actions taken to ensure that an organization is conscious of the risks it faces, makes informed decisions in managing these risks, and identifies and harnesses potential opportunities. Managing risk well requires careful consideration of the key concepts of minimizing loss, maximizing opportunity and preparing for uncertainty

(Commonwealth of Australia 2008, p.5)The internal auditor's role in risk management involves assessing and monitoring the risks that the organization faces, recommending the controls required to mitigate those risks, and evaluating the trade-offs necessary for the organization to accomplish its strategic and operational objectives. Griffiths (2006, p.4) "internal auditing provides independent and objective assurance to an organization's management that its risks are being mitigated to an acceptable level, and reports where they are not".

Fraud and corruption are key risks that need to be managed in the public sector. Management has the responsibility to put in place systems and processes that will prevent and detect fraud within an organization. However, it is internal audit that gathers sufficient objective information for management to carry out its stewardship function and to be well informed on the risks of fraud and effectiveness of fraud control procedures and to enable them to understand the complexities of fraudulent activities.

Internal audit adds value through improving the control and monitoring environment within organizations to detect fraud (Coram and others, 2007, p.1).

The very presence of internal audit review in an institution serves as a deterrent measure on the assumption that any fraud perpetuated may be uncovered. Good governance principles require that audit committees or similar oversight bodies, work closely with internal auditors in fraud risk evaluation and investigations especially when recent trends suggest perpetration by senior management in collusion with other employees

2.3 Challenges to Public Sector Internal Audit

During my findings I have observed from the respondent and from my source the following challenges but not all at least few of them as explained below

2.3.1 Relationship between Internal and External Audit in the Public Sector

Professionally, internal auditors strive to create an effective function whose results can be relied upon by the external auditors as evidence of the overall strength of internal financial control. The detailed background knowledge which internal audit has of the organization may be of particular value in allowing their external counterparts to understand the background and circumstances of the activity they are reviewing.

However, publicity about the role of external auditors in high profile private sector cases such as Enron has increased public and parliamentary expectations of external auditors, and has rightly or wrongly made public sector external auditors more cautious about the degree of reliance they place on internal audit (Glass 2005, p.8).

Establishing a professional working relationship between the internal auditor and the external auditor should deliver benefits to both parties. Such relationship allows potential overlaps and gaps in the overall audit activity to be identified and addressed, and assists in maximizing the extent to which external audit is able to rely on the work of internal audit in undertaking its work.

Internal auditors also need to be aware of planned and actual external audit coverage in order to assist in identifying their information needs (ANAO, 2007, p.28).

An effective co-operation between internal and external audit helps both parties achieve their objectives and also helps them provide a better service to the bodies they work with and ultimately to Parliament and the public. However, such cooperation can only thrive in an environment where there is mutual confidence and the recognition that internal and external audits are both conducted within relevant professional standards and information exchanged is treated professionally and with integrity (NAO, 2000, p.11).

2.4 The economic Implications of Ineffective Internal Auditing System In The Public Sector Management

The dramatic collapse of the global stock markets and subsequent economic crises with its impacts, which accompanied it, resulted in a sharp concentration in both public and private sector established in Nigeria.

For an economic development of any public sector to be put correctly as well as guard the pattern its revenue and expenditure, a proper record of the expenditure items must be kept. The effectiveness of auditing System can be reinforced. Economically, internal auditing is meant for internal consumption with varying socio-economic benefits. In Public Sector according to Azubike (2002), internal control is highly effective in increasing the reliability of accounting data and in protecting against fraud. The economic implications of an ineffective auditing system in a public sector management are the negative aspects of the positive development of the auditing system such as:

i. Inability to plan effectively due to the availability of unconfirmed financial operations of the enterprise in past years.
ii. Inability to make effective financial decision.

iii. Lack of credibility of enterprise before external entities-government financial house, creditors
iv. Inadequacy of information about the enterprise's assets.
v. Inability of the enterprise to rely on any proper statement on past, current and proposed future balance sheet on revenue, revenue sources, expenditure items, profits and losses.
vi. Difficulties in controlling the financial operations of the enterprise.
vii. There is the possibility of the emergence of fraud.
viii. Inability to detect easily the compliance of enterprise financial accounts with the requirement of law.

Reasons for ineffectiveness of internal auditing in the public sector management are as follows.

Lack of Audit Manual: The absence of standard internal audit manual and detailed audit work plan will affect the quality of audit work particularly for internal auditors who are either non-accountants or nonqualified accountants.

On-Career Auditors and Lack of Growth Prospect: Most internal auditors 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. This gives such colleagues in the accounts department an advantage and a feeling of superiority to the internal auditor hence they stifle with imparity the process of information flow to the auditor and makes available only thing they want the auditor to see.

Reporting Structure and Professional Independence: The internal auditor used to be a unit of the accounts department in the past but to ensure a level of independence, they were made to report directly to the Chief Executive.

The change however negatively impacted on Public Sectors as most Chief Executives are political officeholders, having no permanent interests and leading to non-commitment to internal audit reports.

Scope of Work: The absence of a proper definition of the duties, rights, privileges and limitations of the internal auditors also inhibits the satisfactory performance of his duties.

Privileges of Office: The lack of adequate remuneration and pre-requisites of office has made some internal auditors to compromise their positions in favor of fraud stars.

Hazards of Office: Another factor, which impairs internal audit efficiency, is the hazards that stare the honest and principled internal auditor in the face there are reported cases of assassinations, burglary, native medicine and acid attacks on the lives and properties of internal auditors.

2.5 Research Gap

According to the review above one get an understanding on the existence of the problem. More precisely it is clear that all reviewed studies touched different areas with similarity in focus. Despite all this study carried out still this explicates the extent to which all together were apparently unable to address the impact of ineffectiveness of internal audit in the public sector management in Morogoro municipal that there is little literature on the problem in studying area, there for there is a need of this study to fill the gap.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented various steps that were undertaken for studying research problem along with the logic behind them. For this purpose, the chapter presented the research design, description of the study area and its rationale, the study population, the sampling frame and sample size, sampling techniques, types and sources of data, data collection methods, and the way data were analyzed and presented.

3.2 The study area

This study was conducted in Morogoro region specifically at Morogoro municipality. The study was specifically dealt with those Local Government offices under Morogoro municipal areas that received fund from Central and Municipal Government.

According to the 2012 Tanzania National Census, the population of the Morogoro municipality comprise of **315,866** total populations (**151,700** male and **164,166** female), these population required services from Morogoro Municipal. Researcher believed that Municipal office provided all necessary information which was needed.

3.3 Research paradigms

Tracey J. (1994) defines research as an approach through which the research is undertaken. There are two paradigm of doing research, these include positivistic and phenomenology. Positivistic is statistics and qualitative based while phenomenology is qualitative based. Research used positivistic paradigm, thus both qualitative and quantitative techniques.

Qualitative technique was the one which based on phenomena relating to or involving quality or kind. It was done through word association tests, sentence completion tests, story completion tests as well as motivational research. It aimed at discovering the underlying motives and desire using depth interview.

Quantitative technique is the systematic scientific investigation of quantitative properties and phenomena and their relationships. It was the one which based on measurement of quality or amount. It was applicable to a phenomenon which is expressed in quality.

3.4 Research design

Azubuike J. (2002) defines research design as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedures. The research design was conceptual structure within which research was conducted. It constitutes the blueprint for the collection, measurement and analysis of data. The researcher used case study design, where by the answers to the research questions raised earlier were obtained through Interviewers, Documentation and Observation. The methods were applied depending on the availability of the personnel in organization.

3.5 Types of measurement

The researcher used parametric types of measurement such as frequencies and percentages to measure a distribution of responses from the respondents which made the process of analyzing data collected complete.

3.6 Data collection method and approach

Data collection techniques depended on how best they could serve the purpose of the researcher. Researcher used the most common and preferred tools for data collection whereby primary data were collected directly from the field by using tools such as

questionnaire, interview and observation, while secondary data were collected by using documentary review.

3.6.1 Questionnaire

The researcher designed self administered questionnaires which were used as an instrument of extracting both qualitative and quantitative information useful in the study. The questionnaires in their nature were structured mainly to focus on obtaining information pertaining to the effectiveness of internal audit on improving public sector management at Morogoro municipality. The justification for choosing the questionnaire in this study was that the researcher expected that it would help in establishing a report with respondents and therefore be able to explain and clarify the purpose of the study and possibly anything, which might seem to be ambiguous to the respondents. With that perspective the questionnaires essentially consisted of scale items, open ended and close ended questions. The open ended questions literary gave room for both the researcher and respondents to have freedom on giving views. On the other hand the closed ended questions were designed in such a way that it can be easy, not only to fill in but also consume less time and efforts while still keeping the respondents on track.

3.6.2 Documentary review

Documentary sources used were journals and magazine and other available library materials. In addition officials file such as financial report, research report, annual report and material of similar topic were used too. Other sources of secondary data which were provided by organization are CAG report, environmental impact assessment report, payment voucher, and cash books which were more helpful to the researcher to meet the aim of collecting correct data.

3.6.3 Interview

This refers to the collection of information just through a live or verbal communication between the researcher and the respondents.

The method was used to collect information from different staffs of different departments in the organization as far as the study was concerned. The rationale for choosing this method was that, if it would be designed and conducted in profession all manners, the method would be found to be a useful way of exchanging views exploring perception and therefore seeking opinions from the respondents on various issues pertaining to the effectiveness of internal audit in public sector management.

3.6.4 Observation

This technique guided the research on getting the required data and information through the process of paying personal visits on the field grounds and therefore to have a live coverage of what happened over there and more time discussed with respondents. This virtually helped the researcher to justify some supportive events that were included in the research report.

3.7 Type of data

Researcher used both primary and secondary data type. These types were distinguished as follows:

3.7.1 Primary data

The primary data were the information which were collected in the first time. This data were collected by using questionnaire, personal interview and observation on department's officers and other employees. These data were used because they gave actual current information concerning the study.

3.7.2 Secondary data.

These data were collected using different publication from procurement and finance department specially consulted during the course of research form department's journal. These were extracted through reviewing various documents such as requisition to purchase, local purchase order, delivery note goods received note for procurement and Financial report, LGAs audit report, Payment Voucher, cash book

for finance department. In addition the secondary data provided historical reference of other past related studies.

3.8 Sampling procedure

3.8.1 Population

The researcher expected the population of the study comprised of officers and other staffs who participated in internal control at Morogoro municipality. The numbers of people inquired was determined by the role of the part concerned in the organization. With regard to the nature of the topic, the inquiry focused on every member of the organization whose tasks in one way or another was related to Finance. Researcher inquired officers and staff members from different departments a total number of fifty respondents. They were from marketing department, stores department, Procurement Department, Finance Department, and accounting department.

3.8.2 Sample size

The sample size comprised of fifty (50) employees from Morogoro Municipality. That was eight respondents (8) procurement officers, seven (7) respondents from stores, twenty (20) accounting and finance, fifteen (15) respondents from internal control department. This was due to limited time provided for the study.

Table 3.1 Sample size

Departments Morogoro municipality	No. of respondents(sample size)
Procurement	8
Stores	7
Accounting and finance	20
Internal control Department	15
Total	**50**

Source: Research field data, 2013

3.9 Reliability and validity of the data

3.9.1 Data Reliability

This is the ability of the instrument to measure consistently the phenomenon on it is designed to measure. Researcher expectation was to minimize error in collecting data by applying techniques like administered questionnaire and carrying out interview on days that personnel were not occupied with their job as to get information that were correct.

3.9.2 Data Validity

This is the truthfulness of a measure i.e. the valid measure is the one that measures what is intended to measure. The researcher used random selection of sample from different clusters to ensure the validity of the data that were collected.

3.10 Management and analysis of data

3.10.1 Data management

This involved systematically organizing mass of raw data that were collected in a manner that facilitated analysis of data. Researcher used numbers directly for close ended questions in the questionnaire and for open ended questions; the researcher categorized all responses and assigned numbers to them.

3.10.2 Data analysis

Analysis of data was done qualitatively and quantitatively. The qualitative approach entailed analysis of data through describing and analyzing them (comparing and aggregating them). The quantitative approach involved manipulation of numbers, the use of tables, and percentages. All the findings were processed by the help of Ms Excel to produce tables and graphs.

CHAPTER FOUR

4.0 DISCUSSION AND PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

This chapter presents and analyzes the findings of the study by means of tabulation with association of tables, frequencies, percentages and words based on the specific objectives of the study. The chapter starts by describing the survey results, population characteristics of the respondents. The presentation, analysis and discussion are done through questions which were responded by the Morogoro officers that were eight respondents (8) were procurement officers, seven (7) respondents from stores, twenty respondents (20) from accounting and finance, fifteen (15) respondents from internal control department and the observation which was made by the researcher in the field.

4.2 Description of the survey results

Among 50 questionnaires which were distributed to Morogoro Municipal officers, only 48 which is 96% of the total questionnaires were answered. This is because of the nature of the working environment and day today activities that Municipal officers were engaging in, whereby they were not easily found to return the questionnaires. Also five procurement Officers were interviewed.

4.3 Population characteristics of respondents

This part analyzes and presents the personal information of the respondents to whom the questionnaires were distributed. Population characteristics therefore include; sex, age, level of education, marital status and employment categories.

Table 4.1 Sex of the respondents

Sex	**Frequency**	**Percentage (%)**
Male	21	42
Female	29	58
Total	**50**	**100**

This table above indicates that female covers large number of respondents that is 29 which is equal to 58% of all respondents And male covers only 21 which is equal to 42% of the total respondents. This means that, female were more accessible by the researcher.

Table 4.2 Age of respondents

Age group in years	Frequency	Percentage (%)
Below – 30	-	-
31 – 40	02	04
41 – 50	48	96
51 – 60	-	-
61 +	-	-
Total	**50**	**100**

The table above shows that the respondents who were between 41 – 50 years old which covers 96% of the total respondents were many in number, followed by a group ranged 31 – 40 years old which was equal to 04% of the total respondents. . This means that, most of the respondents were between 41 – 50 years old. Hence they were aware, knew and had enough experience on the impact of ineffectiveness of the internal audit in the public sector management according to the questionnaires which were asked by the researcher to them.

Table 4.3 Level of education

Education level	Frequency	Percentage (%)
Primary	-	-
Secondary	-	-
Tertiary	50	100
Total	**50**	**100**

The table above indicates that 100% of the total respondents had tertiary level of education. This implies that all respondents in the study area actually might have given accurate answers about the problem.

Table 4.4 Marital status

Marital status	Frequency	Percentage (%)
Single	02	04
Married	48	96
Divorced	-	-
Separated	-	-
Widowed	-	-
Total	**50**	**100**

This table above indicates that 02 respondents of the total respondents which were equal to 04% were single while 48 respondents of the total respondents which is equal to 96% were married. This means most of the married respondents were easily reached by the researcher as they are settled at working place and home in most of their time compared to single ones.

Table 4.5 Employment

Categories	Frequency	Percentage (%)
Administrators	8	16
Audit	04	08
Stores and Procurement	18	36
Accounting and finance	20	40
Total	**50**	**100**

The table above indicates that 16% of the respondents were in the category of internal control department, 14% were in stores, 40% were in accounting and finance and 30% were in procurement. This means the sample distribution due to employment category helped the researcher to collect data from different levels of employment hierarchy.

4.4 Roles of internal audit in the public sector

This part identifies the roles of internal audit in the public sector. The respondents mentioned that oversight, insight, foresight, governance, control and risk management are the roles of internal audit in the public sector.

Table 4.6 The role of internal audit in the public sector is to oversight, insight and foresight.

Assessing the respondent's perception on the roles of internal audit in the Public sector management

Item	Frequency	Percentage (%)
Yes	50	100
No	-	-
Total	**50**	**100**

The table above shows that 100% of the total respondents agreed that the role of internal audit is to oversight, insight and foresight. Also four procurement officers in their experience agreed that the role of internal audit is to oversight, insight and foresight. Therefore it is evident that oversight, insight and foresight were the roles of internal audit though there may be other roles.

Table 4.7 The role of internal audit is governance, control and risk management

Item	Frequency	Percentage (%)
Yes	47	94
No	03	06
Total	**50**	**100**

The table above indicates that 47 respondents out of 50 which is equal to 94% of the total respondents agreed that the role of internal audit is governance, control and risk management, while only 06% of the total respondents disagreed on the roles of internal audit stated above. Therefore, from the views of the respondents above, it can be concluded that, governance, control and risk management are also the roles of the internal audit in the public sector. Furthermore in the interview which was conducted with three of the accounting and finance officers revealed that governance, control and risk management are also the roles of the internal audit. This implies that governance, control and risk management are the major roles of the internal audit in the public sector, though there may be other roles.

4.5 Challenges facing public sector internal auditors

This part identifies the challenges to public sector internal audit. The respondents pointed out that, developing methodologies, computerized tools, communication and relationship between internal and external audit as the challenges to internal audit in the public sector.

Table 4.8 Challenges facing public sector internal auditors

S/N	Challenges	SA	A	N	SD	D
1	Developing methodology	02	02	-	-	-
2	Computerizes tools	02	02	-	-	-
3	Communication	02		-	-	-
4	Relationship between internal and external audit	27	13	-	-	-
Total		**33**	**17**	**-**	**-**	**-**

Key: SA= Strong Agree; A = Agree; N= Neutral; SD Strong Disagree; D = Disagree.

The table above indicates that 13 respondents out of 50 respondents agreed that relationship between internal and external audit was a challenge and 27 respondents out of 50 respondents strongly agreed on the same challenge, 02 respondents out of 50 respondents strongly agreed that communication was a challenge, 02 respondents agreed while 02 respondents strongly agreed that computerized tools was a challenge to public sector internal audit, 02 respondents out of 50 respondents agreed and 02 respondents out of 50 respondents strongly agreed to that developing methodologies was the challenge to the public sector audit. Therefore, it is evident that there were challenges to the public sector internal audit that in one way or another led to their ineffectiveness.

4.6 The economic implications of the ineffective internal audit

When the respondents were asked if there are any economic implications due to the ineffective of internal audit, they gave out the following responses as shown below.

The table below shows that 100% of the total respondents agreed that in accomplishment of different programs is the economic implication of ineffective internal audit while no any respondent who disagreed on the point. Therefore, it is evident that ineffective of internal audit has negative economic implication in the public sector management.

Table 4.9 In-accomplishment of programs

Item	Frequency	Percentage (%)
Yes	50	100
No	-	-
Total	**50**	**100**

Therefore, it is evident that ineffective of internal audit has negative economic implication in the public sector management, such economic implications include; low productivity, the collapse of the Economy, less risk assessment, inability to plan effectively due to the availability of unconfirmed financial operations of the enterprise in past years, difficulties in controlling the financial operations of the enterprise, lack of credibility of enterprise before external entities-government financial house and the like.

Table 4. 10 Low productivity

Item	Frequency	Percentage (%)
Yes	48	96
No	02	04
Total	**50**	**100**

The table above indicates that 48 respondents which is equal to 96% of the total respondents agreed that low productivity was a negative economic implication led by ineffective internal audit in the public sector management. Therefore, it is evident that there is economic implication of the ineffective internal audit in the public sector management.

Table 4.11 The collapse of the economy

Item	Frequency	Percentage (%)
Yes	50	100
No	-	-
Total	**50**	**100**

The table above indicates that 50 respondents which were equal to 100% of the total respondents agreed that the collapse of the economy was an economic implication caused by ineffective internal audit. Also in the interview which was conducted with two (2) procurement officers, he agreed that ineffective internal audit caused the collapse of the economy in Morogoro municipal in the trend of ten years, from the 2004 to 2014.

Table 4.12 Less risk assessment

Item	Frequency	Percentage (%)
Yes	38	76
No	12	24
Total	**50**	**100**

The table above shows that 38 respondents of the total respondents which is equal to 76% agreed that ineffective internal audit led to less risk assessment in different seasons something which caused many challenges in the economy of the Municipal and the running of different activities while only 12 respondents which is equal to 24% disagreed on the point. Also in the observation done by the researcher by reviewing written documents reveled that, many budgets were disturbed because of careless in the risk assessment, that is, if the internal audit was effective, many of those risks could be handled in a safe way.

CHAPTER FIVE

5.0 SUMMARY, CONLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the findings which were analyzed and present in chapter four based on the main objectives of the research was to assess the impact ineffectiveness of internal Audit on Improving Public Sector Management. The chapter begins with the summary, conclusion based on the specific objectives and recommendations.

5.2 Summary

The main objective of the study was to assess the impact of ineffective internal audit in Morogoro municipal. The specific objectives of the study were; to identify the roles of internal audit in the public sector, to identify the challenges of the public sector internal audit and to identify economic implications of the ineffective internal auditing system in the public sector management.

The study was conducted in Morogoro municipal, Morogoro district in Mrogoro region. The targeted population of the study was the Morogoro municipal workers in the fields of economy including procurement officers, stores, accounting and finance and internal control department. The sample size of the study was 50 respondents. The purposive sampling technique was used to choose the workers for the research sample. The study instruments which were used in the study were questionnaire which was asked municipal workers, interview which was conducted with procurement officers and accounting and finance officers and the observation which was made by the researcher in the study area.

The findings indicate that oversight, insight, foresight, governance, control and risk management as roles of the internal audit, although there were other roles. Respondents also mentioned developing methodologies, computerized tools communication and the relationship between internal and external audit were the

challenges to the public internal audit sector. Also when the respondents were asked if there were any economic implications due to ineffective internal audit, they mentioned in accomplishment of programs, low productivity, the collapse of the economy and less risk assessment as the economic implications.

5.3 Conclusion

This part gives the comments of the researcher on the findings discussed above based on each specific objective. The roles of the internal auditors in the public sector should be taking into consideration in each budget of Morogoro municipal so as to reduce the effects that have been caused by ignoring such roles to be played by auditors which are very important. Also, for effective auditing there must be time to time examination of the challenges facing internal auditors in public sector such as methodologies and computerized tools and technology. The examination of those challenges will help in eliminating them and eventually creating a conducive and smooth environment for auditors in this World of science and technology. Lastly the economic implications caused by the ineffective internal auditing system found in this study should be the foundation in the revolution in making sure that positive steps are taken day after day and not repeating the same mistakes.

5.4 Recommendations

This part gives the recommendations for the action to be taken to reduce and at a long run to make the problem get to an end and the recommendations for the further research.

5.4.1 Recommendations for action

From the findings above, it is evident that the ineffective internal audit has impact in the public sector management. What should be done is the roles of the internal auditors should highly considered. Also challenges facing the internal auditors in the public sector management should be checked often. Lastly, I recommend, the

administration of Morogoro municipal should check economic implications caused by the ineffective internal audit in previous years and learn and plan by considering the roles and the challenges in the public sector management for better future.

5.4.2 Recommendations for further research

Research should be done on the factors causing ineffective internal audit in the public sector management so as to figure out the solutions for the ineffective internal audit in the public sector management.

Research should be done on the same topic, but in another area as a case study.

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APPENDICES

APPENDIX I

QUESTIONNAIRE FOR RESPONDENTS

My name is Mbembela Victor, G. I am a student at Mzumbe University perusing my Masters degree in Accounting and Finance.

I kindly request you to assist my research on the impact of ineffective internal audit in the public sector management in your area by answering the following questions:

Your contribution will be highly appreciated and will be kept confidential.

Instructions

Please tick the most appropriate to you.

SECTION ONE

Personal particulars or information

I. Sex: Male ( ) , Female ( )

II. Age: Below – 30 ( ), 41 – 50 ( ), 51 – 60 ( ), 31 – 40 ( ), 60+ ( )

III. Level of education: primary ( ), secondary ( ), tertiary ( )

IV. Marital status: Single ( ), Married ( ) Divorced ( ), Separated ( ), Widowed ( )

V. Employment category: Administrators ( ), Audit ( ), Stores and Procurement ( ), Accounting and Finance ( )

SECTION TWO

1. Are the roles of Internal Audit in the Public Sector are insight, oversight and foresight?

Yes ( ) No ( )

2. Are the roles of Internal Audit are governance and control?

Yes ( ) No ( )

2. The challenges facing internal auditors in public sector include developing methodologies and computerized tools?

a) Agree

b) Strong agree

c) Disagree

d) Strongly disagree

e) Neutral

3. The challenges facing internal auditors in the public sector include communication and the relationship between internal and external audit.

a) Agree

b) Strong agree

c) Disagree

d) Strong Disagree

e) Neutral

3. In accomplishment of programs is one of the economic implications of the ineffective Internal Auditing system in public sector management?

Yes ( ) No ( )

04. Low productivity is one of the economic implications of the ineffective internal auditing system in the public sector management?

Yes ( ) No ( )

05. The collapse of the economy is one of the economic implication of the ineffective auditing in the public sector management?

Yes ( ) No ( )

06. Less risk assessment is one of the economic implications of the ineffective auditing in the public sector management?

Yes ( ) No ( )

APPENDECIES II

INTERVIEW QUESTIONS FOR RESPONDENTS

1. What are the roles of Internal Audit in the Public Sector?

2. What are the challenges facing internal auditors in public sector in Morogoro Municipality?

3. What are the economic implications of the ineffective Internal Auditing system in public sector management?