EFFECTIVENESS OF INTERNAL AUDIT FUNCTION AS CORPORATE GOVERNANCE MECHANISM IN TANZANIAN PUBLIC SECTOR:

THE CASE OF INTERNAL AUDITOR GENERAL'S DIVISION

By:

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled **"Effectiveness of Internal Audit as Corporate Governance mechanism in Tanzanian Public Sector: The Case of Internal Auditor General's Division'',** in fulfillment of the requirements for award of the degree of Master of Science in Accountancy and Finance of Mzumbe University

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DECLARATION

I, Godlove Kimaro**,** 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.

Signature ____________________________

Date_________________________________

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DEDICATION

I dedicate this work to my Dad and Mom, my class mates and my dear friends for their support which drove me positively and enabled the completion of my master's degree.

ABBREVIATIONS

BA	Bachelors of Business Administration
BSc	Bachelors of Science
CAE	Chief Audit Executive
CDF	Constituency Development Fund
CIA	Certified Internal Auditor
CISA	Certified Information System Auditor
CPA	Certified Public Accountant
ECIIA	European Confederation of Institutes of Internal Auditing
IA	Internal Audit
IAs	Internal Auditors
IAF	Internal Audit Function
IAGD	Internal Auditor General's Division
IIA	Institute of Internal Auditors
IIA-A	Institute of Internal Auditors - Australia
LGAs	Local Government Authorities
MoFED	Ministry of Finance and Economic Development
MoFP	Ministry of Finance and Planning
OECD	Organization for Economic Cooperation & Development
PSICG	Private Sector Initiative for Corporate Governance
PSO	Public Sector Organisation
STATA	Statistics and Data
SPSS	Statistical Package for the Social Sciences

ABSTRACT

In order to succeed an organisation need to have good corporate governance. Internal audit functions as a service to management can ensure this by being effective.

The main aim of this study was to examine the effectiveness of the internal audit function as a corporate governance mechanism in the public sector in Tanzania with special focus on the office of the Internal Auditor General's Division (IAGD).The study specifically endeavoured to determine the status of internal audit as a corporate governance tool in Tanzania, to determine internal audit good practices ensuring sound corporate governance and identifying factors that affect directly the effectiveness of the internal audit function in the Tanzanian public sector.

The study employed a case study technique. Purposive sampling was used to collect data from all the internal auditors in the offices of IAGD. Out of a total of 34 respondents, a total of 28 (82.35%) responded. This study employed both primary and secondary information.

The results from the analysis concluded that the effectiveness of the internal audit function as a corporate governance mechanism in the public sector in Tanzania is brought about by all the examined factors except segregation of duties. Also, it was found that effectiveness of internal audit function had led to good corporate governance at IAGD.

Recommendations were made to both the central government and IAGD. The central government was advised to review the structure, nature of appointment and recruitment process, overlap of functions, nature of distribution of tasks and responsibilities, and the number of employees in IAGD. Also, the management of Internal Auditor General's Division were advised to make sure audit recommendations are implemented by audited entities and provide its employees with all support needed.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE
INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Background Information

Public offices in all developed and developing countries are part and parcel of governance. In order to achieve the goals for which they were formed, these offices receive budgetary funds from the government yearly. For the sake of efficiency and to ensure value of money for all activities so performed, the government of Tanzania under the Ministry of Finance established an Internal Auditor General's division. The establishment of this division was to ensure independence of auditors and in particular the internal auditor when performing their duties in these very offices. In the real sense all the changes that have been made by the Ministry of Finance with regard to auditing department were geared to improving financial management and accountability and hence provide the value of money in every activity done in as much as development is concerned.

"Auditing in the public sector is aimed at the prevention of mistakes, shortcomings and misdeeds in the public administration. In both private and public sectors, the responsibilities for internal auditing rest with internal auditors" (Okereson, 2013,p. 4). By reviewing policies and practices often, internal audit is capable of preventing fraud and misappropriation of government's monies or loss of financial resources. All in all, the responsibilities for internal auditing rest with the internal auditor (Okereson, 2013).

In any institution; there ought to be corporate governance whereby the top management, senior or middle level managers and stake-holders interact in view of ensuring proper running of such an institution. In the running of such an institution, authority and responsibilities are allocated at all levels to ensure harmony in a company, institution or rather organisation.

In the past two decades, corporate governance has received examination both in academic literature and public policy debates especially to entities trying to access capital markets more easily in order to obtain funds. However, the fact is that there are some conflicting views on which factors of effectiveness of internal audit function result in good corporate governance. One cannot avoid the question, “has internal audit ensured good governance?”

1.2 Statement of the Problem

The responsibility of management in every public sector is to ensure good corporate governance. This is only possible by providing an internal audit system with necessary resources, ensuring their independence and objectivity and a strong audit committee (Alzeban & Gwilliam, 2012; Sarens, De Beedle & Evaraert, 2010).

Cohen, Krishnamoothi and Wright (2002) recognised that top management of an entity play a crucial role in corporate governance. Claybrook (2004) argued that “top management has the broadest influence on stakeholders, and, further that management influences operations, as well as the board of directors and even the internal audit function” (p. 203). Nonetheless , an expectations gap exist within internal audit customers of internal auditing as a value-adding activity which can sometimes result in an organisation not reaching its objectives (Gramling, Maletta, Schneider & Church, 2004). For example, most often than not internal auditors just as the external auditors are taken to be fault finders rather than solution providers and partners in the government’s development endeavors for organisational excellence and good corporate governance.

IIA (2012) on its position on the importance of the public sector audit function to effective governance argued that, “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” (p.5). It also defined the key elements needed to maximise the value public sector audit function provides to all levels of government; “to include organisational independence, a formal mandate, unrestricted access, sufficient funding, competent leadership, objective staff, competent staff, stakeholder support and professional audit standards” (IIA, 2012, p.6).

Okereson (2013) mentioned that "one of the factors that affect internal audit function effectiveness as proper separation of duties" (p. 71). Some factors for effective internal audit functions put forward by Bananuka, Mulyala and Nalukenge (2017) are "independence of internal auditors, compliance with set out rules and regulations of public fund management and, proper separation of duties" (p. 199). In their finding, Ngwenya and Kakunda (2014) came up with factors affecting effectiveness of internal audit function and narrated them as: "reporting structure and professional independence, career development and training and availability of adequate audit manuals" (p. 2).On the other hand, there are people like Baharud-din, Shokiyah, and Ibrahim (2014) came up with factors like "independence or rather objectivity of internal auditors, auditor's competency and management support" (p. 131).

In as far as internal audit functions in public sector are concerned, a number of studies just focus on one or a few factors that affect internal auditing effectiveness as a corporate governance mechanism. This indeed is a narrow evaluation approach of internal audit functions. This study takes a broader view by considering eight possible factors.

Also, as far as the researcher is concerned this topic has never been explored in Tanzanian context. That is the examination of factors affecting the effectiveness of internal audit function as a corporate governance mechanism in the Tanzanian public sector.

It is in view of the above shortfall that the researcher has been prompted to explore the real factors that affect the effectiveness of internal audit function as a corporate governance mechanism in public sector in Tanzania.

1.3 Objectives

The main objective of this study was to examine the effectiveness of the internal audit function as a corporate governance mechanism in the Tanzanian public sector.

Specific objectives remain to be:

1. Determining the status of internal audit as a corporate governance tool in Tanzania
2. Determining Internal Audit good practices ensuring sound corporate governance
3. Identifying factors that affect directly the effectiveness of internal audit as a corporate governance mechanism in the public sector in Tanzania.

1.4 Research Question

In order to examine critically how effective the internal audit function as corporate governance mechanism in the Tanzanian public sector, the study seeks to address the following questions:

1. What is the status of internal audit as a corporate governance tool in Tanzania?
2. What are internal audit good practices ensuring sound corporate governance?
3. What are the factors affecting internal audit function as a corporate governance mechanism in Tanzania

1.5 The Significance of the Study

In as much as this study is concerned, it will accelerate formulation of policies that promote effective internal audit function and its contribution to corporate governance of public sectors in Tanzania. Precisely, it will enhance the formulation of good regulations to govern the internal audit function in Tanzania just as the CAG's report in 2010 which insisted on the government to have effective internal audit functions though there have been struggles in view of achieving accountability and transparency to stakeholders.

Furthermore, academically this study will help in the bridging of the gap of knowledge that exists on the factors of the effectiveness of internal audit functions in the Tanzanian public sector. Also, provide future researchers with a piece of work to do further research.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

Literature review describes the content and quality of knowledge already available, and readily presents the reader the significance of the work that has been done by others concerning the study.

On the other hand, Saunders, Lewis and Thornhill (2009) define it as "a detailed and justified analysis and commentary of the merits and faults of literature in a chosen area which demonstrates familiarity with what is already known about a research topic" (p. 65).

The chapter provides a review of a number of literature materials on the topic under study. The review has drawn materials from several sources that are closely related to the theme and objective of the study. In its totality, it contains the following major areas: theoretical framework, empirical review, conceptual framework and hypotheses.

2.1.1 Internal Audit Function

Internal audit functions are part of management and are responsible for internal control in an organisation, with five important components of COSO: "the control environment, risk assessment, risk focused control activities, information and communication and monitoring activities" (Altheebeh & Sulaiman, 2016 as cited in Ghaleb, 2018,p. 6).

According to Adams (1994) and as cited by Prawitt (2012); whether an internal audit function is in-house or not: it should ascertain the risks that might prevent an organisation from attaining its objectives. Ascertaining organisational risks is not enough; it should come up with strategy to manage the risks. This responsibility is a result of the agency role of internal audit function. In the case of private entities, internal audit function (IAF) has been employed by stockholders (principal) to safeguard their economic interests. In the case of public sector, the government in place of its citizens is the principal.

According to IIA (2016), “the chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation’s goals”(p. 10). However, “the internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process” (IIA, 2016, p. 10).

2.1.2 Corporate Governance.

The Global Corporate Governance Forum as cited in the PSICG notes that:

> *Corporate governance has become an issue of worldwide importance. The corporation has a vital role to play in promoting economic development and social progress. It is the engine of growth internationally, and is increasingly responsible for providing employment, public and private services, goods and infrastructure. The efficiency and accountability of the corporation is now a matter of both private and public interest, and governance has, thereby, come to the head of the international agenda(2002, p. 2).*

However, corporate governance has been defined differently by different individuals and organisations.Monks and Minow (2001) as cited in Hermanson and Rittenberg (2003) define “Corporate governance as the relationship among various participants in determining the direction and performance of corporations. They identify the primary participants as the shareowners, management, and the board of directors” (p. 26). “Corporate governance is a field that has been evolving due to increased demand for transparency and accountability by various stakeholders” (Karagiorgos et al., 2010,p. 17).

Hampel Committee Report (1998) outlined rules on corporate governance; this marked earlier developments in this field. Also, Turnbull Report (1999) was published to offer guidance to directors on how to comply with combined code on corporate governance.

2.1.3 Internal audit function as a corporate governance mechanism

Internal audit function is meant to build good corporate governance structures and also to help the board to perform its corporate governance duties (Roe, 2004; Gramling et al.,2004). By doing this, internal audit becomes necessary component of the corporate governance process.

In 2005, ECIIA stipulated that good corporate governance calls for the board to perform a number of responsibilities including; 1) setting up strategies to manage business risks, 2) making sure the effectiveness of internal controls, and 3) improving company performances as far as risk management and role of internal auditing is concerned. In addition, for the level of risk that could occur, the board has to ensure the existence of adequate internal controls. Furthermore, for the board to be able to manage all the risks during implementation; it must get a lot of assistance from the internal audit function.

For that matter, since the internal audit function comprises of elements of networks with governance responsibilities; it is then vested with an increasing role (Gramling et al., 2004). Legislations such as Sarbanes Oxley Act (2002) in the USA and that of CLERP (2004) in Australia have indirectly enhanced the importance of internal audit function in strengthening corporate governance. This importance is indirectly enhanced by increased accountability of management (Gramling et al., 2004). "The role played by the internal audit function however raises the issues of credibility and integrity, given the close relationship between management and the function" (Karagiorgos et al., 2010,p. 18).

Florea and Florea (2013) mentioned a number of aspects which an internal audit function can help an organisation achieve good corporate governance. They mentioned them as: "A review of the organisation's control culture, an objective evaluation of the existing risk and internal control framework, a source of information on major frauds and irregularities, reviews of the compliance framework and specific compliance issues and assessments of the accomplishment of corporate goals and objectives" (p. 80).

2.1.4 Public Sector Organizations

"The categorisation of organisations as public or private sector is based on the goals of the organisations. Private organisations are generally interested in maximising their profits, while public organisations are focused on improving their services" (Cohen & Sayag, 2010,p. 298). Goodwin (2003) and Goodwin (2004) as cited in Cohen and Sayag (2010) identified differences in internal audit functions in private and public entities. For example, Goodwin (2004) as cited in Cohen and Sayag (2010) mentioned two main differences. "First, PSOs operate in a rigid framework where the organisation's activities must be authorised by legislation. Second, these organisations are service-oriented, and hence attach lower priority to cost factors and issues associated with profitability" (p. 298). Furthermore, Spraakman (1985) as cited in Cohen and Sayag (2010) argued that "internal auditing is both more common and perceived as more important in public organizations than in private ones – a finding supported by Goodwin (2004), who similarly found that public sector internal audit functions have a higher status than their private sector counterparts" (p. 298).

2.1.5 Challenges of internal audit function in Tanzania Public Sector

In all issues, there are challenges facing internal audit functions. For instance, some of the challenges are reporting structure and profession independence, career development and training of adequate audit manuals (Ngwenya & Kakunda, 2014). In addition, lack of adequate management support (Baharud-din et al., 2014), frequent management override of internal controls (Okereson, 2013).

> *Independence and objectivity are closely related where the freedom from conditions that may threaten objectivity and no significant quality compromises are made during rendering the audit service. In fact, the audit activity should have sufficient independence from those it is required to audit so that it can both conduct its work without interference and be seen to be able to do so. This is a very crucial element in conducting audit because the auditors can access any document relating to the audit work without favour and fear (Baharud-din et al., 2014, p. 128).*

With regard to an audit manual, internal auditors as other professionals are provided with audit manuals assist is appropriate in providing guidelines to the internal audit functions in the public sector. The manual contains comprehensive framework, guidelines and structure for internal audit services including the procedures for internal auditing along with roles and responsibilities of internal auditors at different levels. Such manuals have been explained by Bananuka et al. (2017). It also includes the roles and responsibilities of the management related to internal audit functions. Therefore, an internal audit manual is important as the reason mentions above.

Alzeban and Gwilliam (2012) mention that,

> *"the interaction and relationship between senior management and internal auditors and the internal audit function is both important and complex. They go on further by adding that, senior management have an important say in the resources devoted to the internal audit function, they are likely also to input to the internal audit work plan and the nature and focus of the internal audit function" (p. 7).*

Baharud-din et al. (2014), argue that the management "has to accept the fact that the IA process is just as critical and important activity as any other process within the organisation. In addition, without management approval, support, and encouragement, the internal audit process is likely to face failure and worse – time and money wasted" (p. 128).

According to Morash and Moynagh, (1998) auditing discipline continues to evolve with interaction contributing to the governance and accountability environment in which it functions. Therefore proficiency in auditing is inevitably important. Morash and Moynagh, (1998) establish that, proficiency requirements for all-inclusive auditing is in the interests of both the audit community and the executive decision-makers being attended. Such requirements form important point of reference that the audit community can use to improve its professional cadre and satisfy itself that it is providing relevant and credible audit services and products to its clients.

Internal auditors' skillets will be impeded if they are not supported to advance their professional careers (Bananuka et al., 2017). Bota-Avram (2009) identifies the development of skills as a very important challenge facing internal auditors in today's environment and this can partly be handled by emphasizing continuous professional development programmers that may be costly for the firm.

"Separation of duties (SOD) is the concept of having more than one person required to complete a task. For example, in business one person cannot be an accountant while he is a cashier" (Yu, Wang, Azar & Wei, 2013, p. 222). Yu et al. (2013) argue that separation of duty is about prevention of a role from having too much authorisation. Also, "SOD is basically a requirement that critical operations are divided among two or more people, so that no single individual can compromise the security”(Esna-Ashari & Rabiee, 2010,p. 637)

“As a cornerstone of strong governance, internal auditing bridges the gap between management and the board assesses the ethical climate and the effectiveness and efficiency of operations, and serves as an organisation’s safety net for compliance with rules, regulations” (IIA, 2008).“Auditing compliance is one of the basic elements of internal auditing. Many issues identified during ‘traditional’ internal audits of an entity’s policies, external reporting, safety, security, and environmental areas can relate to directly to compliance obligations. The outcomes of internal audit’s compliance reviews are reported internally” (IIA-A, 2016,p. 2).

2.2 Theoretical framework

IIARF (2013) as cited in Lenz and Hahn (2015) defines internal audit as

> *“An independent, objective assurance and consulting activity designed to add and improve an organisation’s operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. According to this definition the major scope of internal auditors are making assurance to the organisation and giving consultancy services to the overall managements of the entity”(p. 6).*

Lenz (2013) as cited in Lenz and Hahn (2015) define “internal audit effectiveness as a risk based concept that assist the organisation to attain its objectives by positively inducing the quality of corporate governance” (p. 6). Also, Alzeban and Gwilliam (2012) contend that, “effective internal audit entails competence, independence, size of the function, the relationship between internal and external audit and the extent of management support for the internal audit function” (p. 16).

Sarens and De Beelde (2006) as cited in Sarens, Leung and Christopher (2009) argued that, “the relationship between internal audit and management requires the internal audit function to take on an extended role to compensate for loss of control resulting from increased organizational complexity. Furthermore, study results infer that internal auditors are expected to safeguard corporate culture through personal contacts with people in the field” (p. 203).

Certainly, the number of internal audit staff coupled with their competency is the most important feature of internal audit that cannot be overlooked. The study by Yee, Sujan, James and Leung (2009) in Singapore, suggests that "external auditors believe that the size of internal audit is an important indicator of its quality"(p. 158).

According to Baharud-din et al. (2014),

> *a factor that may contribute to effective government audit is the need for independence and objectivity which can allow the auditor to carry out work without interference by any party. The independence and objectivity of internal audit is with respect to both assurance services and consulting for the organisation. To a certain extent there is a confusion of the role of internal audit, as internal auditors are part of the management team and at the same time to independently evaluate management's effectiveness and efficiency (p. 128).*

They might be unwilling to stand to management regardless of their mandate to uphold best interests of their employer (Baharud-din et al., 2009).

OECD (2004) as cited in Karagiorgos et al. (2010) defines Corporate Governanceas

> *"the system by which a business corporation (or a non-profit organisation) is directed and controlled at its senior level, in order to achieve its objectives, performance and financial management, but also accountability, integrity and openness. Corporate governance also provides the structure through which the objectives of the company are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interest of the company and its shareholders or stakeholders and should facilitate effective monitoring, thereby encouraging firms to use resources more effectively"(p. 18).*

"In addition, valuable lessons have also been learnt from the series of recent corporate collapses that have occurred in different parts of the world, and these have led to various attempts to strengthen regulatory frameworks in order to restore investor confidence and to bring about greater transparency and accountability to corporate affairs" (Davies & Schlitzer, 2008, p.532). "It is thus reasonable to conclude that such strengthened regulatory frameworks necessitate more effective monitoring mechanisms of compliance, resulting in the need for improved corporate governance structures. The internal audit function is such a compliance mechanism within a corporate governance structure" (Barac & Van Staten, 2009, p.946).

2.3 Theories related to the study

The theories relied upon by this study are the Agency and Institutional theories.

3.3.1The Agency theory

Jensen and Meckling (1976) as cited in Sarens and Abdolmohamadi (2011), mention that "According to the agency theory a company consists of a nexus of contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling those resources" (p. 4). Predominantly, the principal are the owners and the agent is the management. The management is employed and entrusted by the owners to act in their best interest. This is due to information asymmetry between the owners and management. Management has more information than the owners. But, sometimes management can decide to act against the interest of owners. A good example is the recent corporate collapses such as Enron.

The owners are represented in the companies by the board of directors. The management employ internal auditors to show the board of directors that the interest of management and owners are protected. This is a cost which is borne by the owners. "More specifically, managers want to show that they have an adequate and effective risk management and internal control system. Thus, the internal audit function plays an important role in reducing information asymmetries between principals and agents" (Sarens & Abdolmohamadi, 2011, p. 4).

2.3.2 The Institutional theory

This study also draws on institutional theory. Basically, this theory stipulates that people as well as institutions require legitimacy in order to rule and prove their effectiveness (Lenz, 2013). This applies to internal audit functions as well. In order to continue to be employed internal auditors need to prove that they add value to the entity. Lenz (2013) suggests that, "The conceptual framework provided by the IIA Research Foundation (IIARF, 2011, p. 2) posits that many factors affect the value of IA, while the determinants of Internal Audit (IA) value are IA's contribution to governance, risk management, and control processes, as they are perceived by the board or Audit Committee (AC), Senior Management (SM) and other stakeholders.

Key factors of such determinants include laws and regulations, corporate governance structures and the AC, compliance with the IA standards, organisational characteristics, characteristics of the individual internal auditor and the Chief Audit Executive (CAE)" (p. 27).

2.3.3 Linking Theories of the Study

This study draws on both agency and institutional theories to determine the factors that would add to effectiveness of internal audit function thus act as a mechanism for good corporate governance. For example, in order to limit agency problem an internal audit function need to be independent, comply with set rules and regulations, have proper segregation of duties, possess career development and training for its internal auditors, have readily available audit manuals, have management support, possess professional proficiency of internal auditors and quality of audit work. The institutional theory emphasises compliance of set rules and regulations and other laws set by the government and institutions governing the internal audit profession.

2.4 Empirical Review

Zeleke (2007) in his study observes, internal audit function has to make sure good corporate governance exists in an organization so that an organization can achieve its objectives. Jan (2005) mentions that, Institute of Internal Auditors (IIA) requires its members to be competent in corporate governance.

Tumuheki (2007), comments that, Uganda, as a good example of developing countries recognizes that in order for it to prosper it needs good structures of corporate governance. In that sense, as drivers of an economy, Small and Medium Enterprises (SMEs) would do much better by adopting key elements of corporate governance.

Conceptually Gerrit and Ignace (2006) contend that, since risk management and internal controls are essential elements of good corporate governance; then internal audit has a big role to play to ensure good corporate governance. Sawyer and Vinten (2006) conclude that, the skills and experience of internal auditors are important to the organisation as whole. In addition they argue that, internal auditors should be leaders in organisations they work in and make sure organisation's objectives are met.

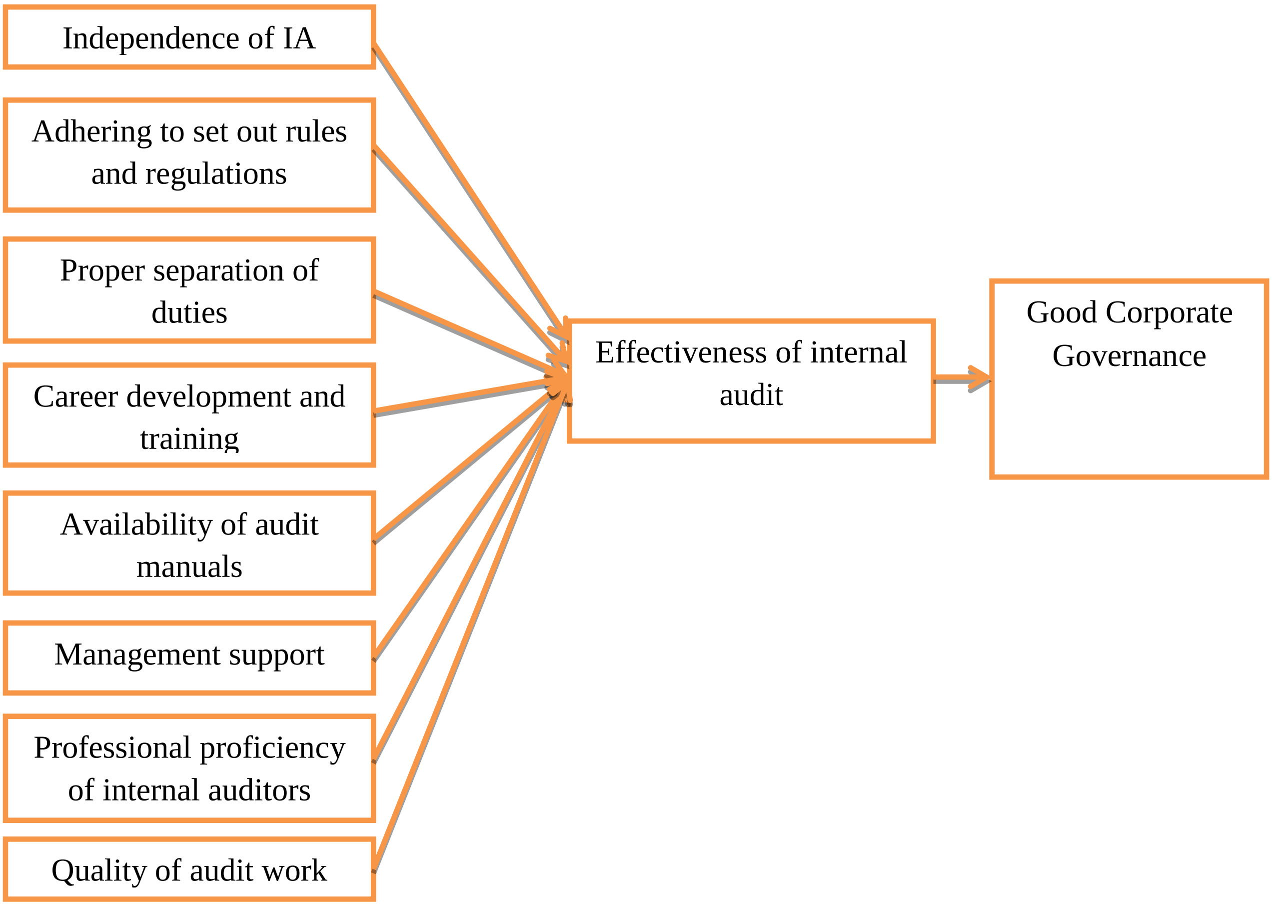
2.5 Conceptual Framework

"Conceptual framework is defined as an abstract idea or theory used to develop a new concept or to reinterpret the existing one" (Kothari, 2004,p. 4). The conceptual framework gives the relationship between the dependent and independent variables. Therefore the researcher aims in assessing the relationship between the independent variables and the dependent variable in order to examine the effectiveness of internal audit function as a corporate governance mechanism in the Tanzanian public sector.

The model proposes that corporate governance in public sector is the function of effective internal audit services. The effective internal audit function is made possible by having independent internal audit function, compliance with set out rules and regulations of public fund management, proper separation of duties, career development and training, availability of audit manuals, management support, professional proficiency and quality of audit work of internal auditors.

The variables that will be studied include independence of internal auditors, compliance with set-out rules and regulations of public fund management, proper separation of duties, career development and training, availability of audit manuals, management support, professional proficiency and quality of audit work of internal auditors as independent variables. The conceptual framework is shown in figure 2.1:

Figure 2.1 Conceptual Framework



Source: Researcher construction.

2.6 Hypotheses

H_0: Effectiveness of Internal audit does not affect good corporate governance.

H_1: Effectiveness of Internal audit does affect good corporate governance

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

Kothari (2004) defines “research methodology as the way to systematically solve the research problem” (p.8). The following chapter will cover the type of 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 and validity and reliability issues.

3.2 Type of Study

The researcher adopted descriptive research study. These are studies concerned with describing the features of particular circumstances (Kothari, 2004). Also, this research was a case study research design. Robson (2002) as cited in Saunders et al. (2009) define a case study “as a research strategy that involves the empirical investigation of a particular contemporary phenomenon within its real-life context, using multiple sources of evidence” (p. 145). The decision to use this type of research design was two folds. Firstly, the research objectives required the researcher to obtain original information from study population as this study has never been undertaken in Tanzania before. Secondly, this type of study was chosen because it requires a number of data collection tools to be used. These are descriptive method and questionnaires.

3.3 Study Area

The area of study was the Internal Auditor General’s Division situated in Dodoma region. The study was conducted in these offices as the internal auditors in these offices were expected to have a better know-how, experienced in their field of work and better qualified compared to other offices with internal auditors in Tanzania to provide information on the effectiveness of internal audit function as a corporate governance mechanism in Tanzanian public sector.

3.4 Study Population

“Population in research refers to individuals of more or less common characteristics that are of interest to a researcher” (Creswell, 2003, p. 17). The study population was all the 34 internal auditors in the Internal Auditor General's Division (IAGD) situated in Dodoma region. This included the members of staff at the "Quality Assurance Section, Budget and Payroll Audit Section, Technical Audit Section, Local Government Authority Audit Section and Risk Management Systems and Control Section" (IAGD, 2018, p. 1).

3.5 Units of Analysis

The main body that is being investigated in a study is known as a unit of analysis (Saunders, et al., 2009). The unit of analysis was the internal auditors of Internal Auditor General's Division on the effectiveness of the internal audit function as a corporate governance mechanism in the public sector in Tanzania. This included the members of staff at the "Quality Assurance Section, Budget and Payroll Audit Section, Technical Audit Section, Local Government Authority Audit Section and Risk Management Systems and Control Section" (IAGD, 2018, p. 1).

3.6 Variables and their Measurements

In order for the researcher to achieve the research objectives, he required current information about different variables. Variables are normally of two types; namely dependent and independent variables. The researcher used two sets of dependent and independent variables.

The first set consisted of the following dependent and independent variables: the independent variables consisted of independence, compliance with set out rules and regulations, proper separation of duties, career development and training, availability of audit manuals, management support, professional proficiency of internal auditors and quality of audit work. On the other hand, the dependent variable was the effectiveness of the internal audit function as a corporate governance mechanism in the public sector in Tanzania. The independent variables were individually measured using descriptive statistics. This set of dependent and independent variables will identify factors that affect directly the effectiveness of internal audit as a corporate governance mechanism in the public sector in Tanzania. This is one of the specific research objectives.

The second set consisted of the following dependent and independent variables: the independent variables consisted of aspects of corporate governance. The aspects were Compliance with policies, rules and regulations, reduced incidences of fraud, improvement in risk management and improvement in control and governance process. On the other hand, the dependent variable was the effectiveness of the internal audit function at of Internal Audit General's Division. The result will answer the specific research objectives of determining the status of internal audit as a corporate governance tool and determining internal audit good practices ensuring sound corporate governance.

3.7 Sample Size and Sampling Techniques

Kothari (2004) defines "sample as a small group of respondents drawn from a population about which a researcher is interested in getting the information so as to arrive at a conclusion" (p. 55). The research sample size was all the 34 internal auditors at the IAGD offices. The researcher used purposive sampling to choose sample from population. 28 internal auditors responded while 6 did not respond. This responds to 82.35% of the sample size.

3.7.1 Purposive Sampling

"A purposive sample, also known as judgmental sample, is when we choose the particular units of the universe for constituting a sample on the basis that the small mass that they so select out of a huge one will be typical or representative of the whole"(Kothari, 2004,p. 15). The subjects are selected because of some characteristic (Saunders et al., 2009). "Usually, this form of sample is often used when working with very small samples such as in case study research and when you wish to select cases that are particularly informative"(Saunders et al., 2009,p. 237). Individual internal auditors at IAGD will be the target sample in order to provide information on the effectiveness of internal audit function as a corporate governance mechanism in Tanzanian public sector.

3.8 Types and Source of Data

Two sources of data were utilised by this study. These were primary and secondary data. "The primary data are those which are collected afresh and for the first time, and thus happen to be original in character" (Kothari, 2004,p. 95). This study obtained primary data from internal auditors of the Internal Auditor General's division offices mainly through questionnaires. "Primary data are essential in order to get relevant, original and reliable first-hand information about the problem under study" (Kothari, 2004,p. 95). Hence, primary data was sorted and obtained because this topic has not been researched in the context of Tanzania.

"Secondary data is data that was collected for other purposes" (Saunders et al., 2009,p. 256). They are usually "…those which have already been collected by someone else and which have already been passed through the statistical process" (Kothari, 2004, p. 95). However, the secondary data was used in the lack of, or to complement primary data. For example, organisation chart of Ministry of Finance of Tanzania and employee schedule of Internal Auditor's General Division.

3.9 Data Collection Method

Primary data was obtained using structured questionnaire established by adopting the factors presented by various researchers in their studies examining the factors affecting effectiveness of the internal audit function. The researchers are: Okereson, Bananuka, Mulyala and Nalukenge, Ngwenya and Kakunda, Baharud-din, Shokiyah and Ibrahim, and Cohen and Sayag. The working instrument was given to each member of staff in the offices of Internal Audit General's Division (IAGD). The questionnaires were distributed by hand and the internal auditors in IAGD were given enough time to complete them. The questionnaire consisted of seven sections; A to I. Section A tried to collect personal information on the internal auditors, while Sections B to I focused on the study. Section B to H sought to get information on the perception of the internal auditors at the offices of Internal Audit General's Division on the factors affecting effectiveness of the internal audit function. Section I sought to get the perception of internal auditors on effectiveness of internal audit function on good corporate governance.

"The use of structured questions will always allow uniformity of responses to questions. As such then questionnaires give the researcher all-inclusive data on a wide range of issues. It allows smooth uniformity in the way questions are asked, thereby proving a stage in answering the questions the way they are asked" (Saunders et al., 2009, p. 196).

A Likert scale of five was used ranging from "Strongly Agree to Strongly Disagree". "Likert scale is simple to construct, and easy for the respondents to read, understand and respond appropriately to the statements put across. The Likert scale enhances the production of highly accurate results during analysis" (Kothari, 2004,p. 84).

The staff members of the Internal Audit General's Division situated in Dodoma region were provided with the questionnaires. The reason being that they were expected to have a better know-how, experienced in their field of work and better qualified compared to other offices with internal auditors in Tanzania. Out of 34 respondents; 28 (82.35%) responded while 6 (17.65%) did not. There was difficulty in getting back the filled questionnaires because from the months of November to February, most of the staff at Internal Audit General's Division are out of their offices in various regions of Tanzania auditing. But, collaboration with the management of Internal Audit General's Division and my persistence made possible the getting back of enough duly filled questionnaires.

3.10 Validity and Reliability Issues

To ensure that the data collected is trustworthy and credible, validation of the instrument to be used in collecting such data is inevitable. Also, after the data has been collected it is inevitable to measure the reliability of the collected data. All with the aim of making certain the questionnaire focus on the aim of the study and the data is trustworthy and credible.

3.10.1 Data Validity

To test the validity of the questionnaire, the researcher carried out a pilot study before embarking on data collection. In that matter, the researcher employed content validity. "Content validity measures the extent to which a measuring instrument provides adequate coverage of the topic under study" (Kothari, 2004,p. 74). This was done by refining the questionnaire through comments from his fellow students, constructive criticism and comments from research supervisor above his effort.

3.10.2 Data Reliability

The researcher used internal consistency method to check reliability of data. Saunders et al. (2009) defines internal consistency as one which

> *"involves correlating the responses to each question in the questionnaire with those to other questions in the questionnaire. It therefore measures the consistency of responses across either all the questions or a sub-group of the questions from your questionnaire. There are a variety of methods for calculating internal consistency, of which one of the most frequently used is Cronbach's alpha" (p. 374).*

The alpha value ranges between 0 and 1 with reliability growing with the growth in value. According to Mugenda (2003), a coefficient of 0.6-0.7 is usually acknowledged as "acceptable reliability" and 0.8 and above as "good reliability".

A reliability analysis of the questionnaire was carried out on all the29 items of the questionnaire. Cronbach's alpha showed the questionnaire to havean "acceptable reliability", $\alpha = 0.757$. Further analysis was not advisable as cancelling any item in the questionnaire would result in the value of alpha decreasing.

3.11 Data Analysis method

This research study produced two types of data namely; qualitative and quantitative data. "Analysis of data means studying the tabulated material in order to determine inherent facts or meanings. It involves breaking down existing complex factors into simpler parts and putting the parts together in new arrangements for the purpose of interpretation" (Singh, 2006,p. 223).Therefore, its use enabled the researcher to summarise data from the questionnaires and report them as research findings in the form of frequency and percentage tables.

Firstly, data analysis was performed via descriptive statistics to make available details concerning number of factors that contribute to the effectiveness of the internal audit functions a corporate governance mechanism in the public sector in Tanzania. Secondly, data analysis was done to determine whether internal audit function effectiveness result in good corporate governance. This was done through finding the mean score of the responses on a number of aspects of corporate governance.

CHAPTER FOUR
PRESENTATION OF FINDINGS

4.1 Introduction

This chapter presents findings from the study on the factors contributing to effectiveness of internal audit function as corporate governance mechanism in Tanzanian public sector, the case of Internal Auditor General's Division (IAGD).This study used questionnaires to obtain information from a number of respondents.

4.2 Respondents Analysis

Internal auditor sat IAGD were analysed based on their gender, highest academic qualification, age, designation, work station, professional affiliation and their work experience. The following is the analysis.

4.2.1 Respondents Rate

Table 4.1 shows that out of the 34internal auditors at IAGD; 28 (82.35%) responded while 6 (17.65%) did not respond to the questionnaire. The researcher failed to get back all the questionnaires since the period of the study was a period when usually the internal auditors at IAGD were in the field around the country performing their mandate. Regardless, the respondents are large enough to represent the target sample. The internal auditors at IAGD who did not take part in the study were not analysed in this study.

Table 4.1 Respondents rate

	Frequency	Percentage
Respondents	28	82.35
Non Respondents	6	17.65
Total	34	100

Field Data (2019)

4.2.2 Respondents' Age Group

Table 4.2 presents age group of internal auditors at Internal Auditors General Division (IAGD). 9 (32.14%) internal auditors were of the age between 31 and 40 years old and 14 (50.00%) internal auditors were of the age between 41 and 50 years old. 3 (10.71%) internal auditors were above 50 years old and 2 (7.14%) internal auditors were of the age of 21 to 30 years old. However, none of the internal auditors were under 20 years old. It can be summed that, a big percentage of the internal auditors at IAGD were above 40 years old. That is, a total of 17 internal auditors or 60.71%of all respondents. The reason majority of the internal auditors at Internal Auditor general Division (IAGD) are above the age of 40 years is that experienced internal auditors are recruited from other government offices as IAGD is expected to provide highest quality services in all of Tanzanian public sector. At age 41 and above most internal auditors would have served in the public sector for an average of 14 years and above upon assuming a person's first appointment as a civil servant is 26 years old. Furthermore, at the age of 41 years old and above, individuals are expected to be mature and better decision makers. This is especially important as normally internal audit work requires accurate judgement. Hence, this shows that the internal auditors at IAGD have ample experience in internal audit work and can positively contribute to this study.

Table 4.2 Respondents' age group

Years	Frequency	Percentage
Below 20	0	0
21 - 30	2	7.14
31 - 40	9	32.14
41 - 50	14	50
Over 50	3	10.71
Total	28	100

Field Data (2019)

4.2.3 Education Level

The study also captured education level of internal auditors at Internal Auditors General Division (IAGD). Table 4.3 shows that 10 (35.71%) of the internal auditors had first degrees, followed by 18 (64.29%) internal auditors with post graduate degrees, and none with Doctor of Philosophy (ph. D). Since the majority of internal auditors have post graduate or Master's degree implies exceeding a minimum education level of a first degree to work as an Internal Auditor grade II. The higher the education of an internal auditor: the better the quality of internal audit work. Normally, a graduate starting serving as an internal auditor in the government service is designated as an Internal Auditor grade II. After three years of experience and good conduct he or she is designated as an Internal Auditor grade I. This shows majority of the internal auditors were elite/professional and qualified to conduct their work and hence can contribute positively to the study.

Table 4.3 Respondents education level

Education Level	Frequency	Percentage
Degree	10	35.71
Masters	18	64.29
PhD	0	0
Total	28	100

Field Data (2019)

4.2.4 Work Experience

Table 4.4 shows work experiences of the internal auditors at Internal Auditor General Division (IAGD). 5 (17.86%) of the internal auditors had work experience between 1 and 5 years at IAGD. 6 (21.43%) of the internal auditors had between 6 and 10 years of work experience at IAGD, 11 (39.29%) internal auditors had work experience between 11 and 15 years in IAGD and 6 (21.43%) internal auditors had 16 and above years of work experience in IAGD. This implies that the trend assures the researcher that majority of the internal auditors (17 or 51.79%) had enough experience with IAGD of 11 years and above working experience to provide reliable information to meet objectives of this study. It should be noted that the more experienced internal auditors in an internal audit function; the better the work done by them as they would have experienced and overcome a number of challenges in the course of doing their work.

Table 4.4 Staff members' work experience

Years	Frequency	Percentage
1 - 5	5	17.86
6 - 10	6	21.43
11 - 15	11	39.29
16 - Above	6	21.43
Total	28	100

Field Data (2019)

4.2.5 Gender

Table 4.5 shows that gender of the internal auditors in Internal Auditor General Division (IAGD). (71.43%) of the internal auditors in IAGD were male while 8

(28.57%) were female. This implies that male internal auditors were the majority with 20 (71.43%) against female internal auditors by 8 (28.57%) of total number of internal auditors. This may be due to the fact that in the past Tanzanian families put more emphasis on educating a male child to a female child. A male child was raised to be a bread earner while a female child was raised to work at home to bear and raise children. Also, it was thought and regarded that educating a female child is a waste of resources as she will go and develop her husband's family which is not the family of which the female is hailing from. However, there was no observable difference in terms of responses from male and female internal auditors, both male and female internal auditors seemed to be aware of the topic in question and they were very confident responding to the inquired demands.

Table 4.5 Respondents gender

Gender	Frequency	Percentage
Male	20	71.43
Female	8	28.57
Total	28	100

Field Data (2019)

4.2.6 Professional Affiliation

Internal auditors at Internal Auditor General Division (IAGD) were further required to indicate their professional qualifications. Table 4.6 shows that 19 (67.86%) internal auditors where affiliated with Certified Public Accountant [CPA (T)], none of the internal auditors were affiliated with Association of Certified Chartered Accountants (ACCA), 1 (3.57%) was affiliated with Certified Internal Auditor (CIA), 3 (10.71%) were affiliated with Certified Information System Auditor (CISA), while 5 (17.86%) internal auditors where affiliated with other professional qualifications. Hence, the results show that a big percentage of the internal auditors were affiliated with CPA (T); with very few affiliated with CIA. CPA(T) is the highest professional qualification that can be attained by an accountant and National Board of Accountants and Auditors (NBAA) of Tanzania requires that in order for a person to practice as an internal auditor whether in the public or private sector to possess CPA (T). However, another alternative requirement being that the government can give permission for a person to be an internal auditor without that person being a CPA (T). This shows majority of the internal auditors were educated/professional and qualified to conduct their work and hence can contribute positively to the study.

Table 4.6 Respondents' professional affiliation

	Frequency	Percentage
CPA (T)	19	67.86
ACCA	0	0
CIA	1	3.57
CISA	3	10.71
Other	5	17.86
Total	28	100

Field Data (2019)

4.2.7 Designation

Table 4.7 shows that the designation of the internal auditors at Internal Auditor General Division (IAGD). 18 (64.29%) respondents were designated as Internal Auditors, 1 (3.57%) respondent was designated as Senior Internal Auditor while 9 (32.14%) were designated as Principal Internal Auditors. Normally, at first appointment graduate internal auditors are designated as Internal Auditors grade II. After three years of work experience and good conduct an internal auditor is designated as Internal Auditors grade I. After three years of work experience, good conduct and a professional qualification such as a CPA (T) an internal auditor is designated as a Senior Internal Auditor grade I. After three years work experience, good conduct, a professional qualification and a post graduate degree or diploma a Senior Internal Auditor level I will be designated as a Principal Internal Auditor level II. Then, after three years of work experience, good conduct, professional qualification such as CPA (T) and a post graduate degree or diploma a Principal Internal Auditor level II will be designated as a Principal Internal Auditor level I. The majority of participants of this study are Internal Auditors while Principal Internal Auditors and Senior Internal Auditors are fewer. Regardless, this shows a major part of the participants in this are educated/professional and qualified to conduct their work and hence can contribute positively to the study. This is due to the fact that in order for a person to be designated as an internal auditor in government practice he/she should possess a minimum of a bachelor's degree.

Table 4.7 Respondents designation

	Frequency	Percentage
Internal Auditor	18	64.29
Senior Internal Auditor	1	3.57
Principal Internal Auditor	9	32.14
Total	28	100

Field Data (2019)

4.3 Factors that Contribute to Effective Internal Audit Function

Internal Auditors at Internal Auditor General Division (IAGD) were asked to fill questionnaires on factors contributing to the effectiveness of the internal audit function as a corporate governance mechanism in the Tanzania public sector. The factors ranged from professional proficiency of internal auditors to compliance with set out rules and regulations, proper segregation of duties, quality of audit work, organisational independence of the internal audit function, career development and training, availability of audit manual and top management support.

4.3.1 Independence of Internal Audit Function

Several items were used to measure the effect of independence of internal auditors ineffectiveness internal audit function. When asked whether the structure of the internal audit function has resulted in the lack of independence of internal auditors, 60.71% of internal auditors agreed while 14.29% of the internal auditors disagreed. Also, about53.57%of the internal auditors agreed that appointment and recruitment process has resulted in the lack of independence of internal auditors while 35.71% of internal auditors disagreed. At times internal auditors are denied access to important accounting records in the course of conducting their work. In this respect, 7.14%of internal auditors agreed whereas 57.14%of internal auditors denounced the statement. Furthermore, management domineering has resulted in the lack of independence of internal auditors in the public sector. When asked on the correctness of the statement; 50% of internal auditors disagreed while 25% of internal auditors disagreed. The findings of these items are presented in table 4.8:

Table 4.8 Independence of internal audit function

Aspect	Strongly Agree		Agree		Indifferent		Disagree		Strongly Disagree	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
The structure of the internal audit function has result in lack of independence of internal auditors.	3	10.71	17	60.71	3	10.71	4	14.29	1	3.57
The appointment and recruitment process has resulted in the lack of independence of internal auditors.	2	7.14	15	53.57	1	3.57	10	35.71	0	0
Internal auditors are denied access to important accounting records in the course of conducting their work.	0	0	2	7.14	4	14.29	16	57.14	6	21.43
Management domineering has resulted in the lack of independence of internal auditors in the public sector.	1	3.57	7	25	6	21.43	14	50	0	0

Field Data (2019)

4.3.2 Compliance with set out rules and regulations

Several items were used to measure compliance with set out rules and regulations by the internal auditors. When asked whether the senior managers frequently circumvent internal controls in audited entities; 42.86% of internal auditors agreed while 32.14% of internal auditors disagreed. In addition, 71.43% of the internal auditors agreed while 14.29% of the internal auditors disagreed when asked whether internal auditors do receive documents containing transactions performed by the entity when requested. Also, when the internal auditors were asked whether the internal auditors are allowed to report to an independent officer; 53.57% of internal auditors agreed while 17.86% of internal auditors disagreed. The findings of these items are presented in table 4.9:

Table 4.9 Compliance with set out rules and regulations

	Strongly Agree		Agree		Indifferent		Disagree		Strongly Disagree	
Aspect	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**
Senior managers frequently circumvent internal controls in audited entities.	0	0	12	42.86	7	25	9	32.14	0	0
Internal auditors do receive documents containing transactions performed by the entity when requested.	2	7.14	20	71.43	2	7.14	4	14.29	0	0
Internal auditors were asked whether the internal auditors are allowed to report to an independent officer.	2	7.14	15	53.57	5	17.86	5	17.86	1	3.57

Field Data (2019)

4.3.3 Proper separation of duties

Several items were used to measure the effect of segregation of duties on the effectiveness of internal audit function. When internal auditors at Internal Audit General Division (IAGD) were asked if non-separation of duties has result in ineffectiveness and inefficiency of internal auditors in government institutions; 57.14% the internal auditors agreed while 25% the internal auditors disagreed. 10.71% of the internal auditors strongly agreed, 35.71% of the internal auditors agreed (in total 46.42% agree) while 46.43% of the internal auditors disagreed when asked whether separation of duties has result in problems for the internal auditors in government institutions. The findings of these items are presented in table 4.10:

Table 4.10 Proper separation of duties

	Strongly Agree		Agree		Indifferent		Disagree		Strongly Disagree	
Aspect	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**
Non-separation of duties has result in ineffectiveness and inefficiency of internal auditors in government institutions.	0	0	16	57.14	3	10.71	7	25	2	7.14
Separation of duties has result in problems for the internal auditors in government institutions.	3	10.71	10	35.71	2	7.14	13	46.43	0	0

Field Data (2019)

4.3.4 Career development and training

Several items were used to measure opportunities for career development and training available to internal auditors at Internal Auditor General Division (IAGD). When asked whether internal auditors view internal audit functions an office to train and prepare them to work in the entity; 46.43% of the internal auditors agreed while 17.86% of the internal auditors disagreed. In addition, 42.86% of the internal auditors agreed while 21.43% of the internal auditors disagreed when asked whether internal auditors view the internal audit function as a place to prepare them for promotion. Also, when the respondents were asked whether internal auditors view the internal audit function as a place to prepare them for career development; 60.71% of the internal auditors agreed while 7.14% of the internal auditors disagreed. The findings of these items are presented in table 4.11:

Table 4.11 Career development and training

Aspect	Strongly Agree		Agree		Indifferent		Disagree		Strongly Disagree	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Internal auditors view internal audit function as an office to train and prepare them to work in the entity.	3	10.71	13	46.43	4	14.29	5	17.86	3	10.71
Internal auditors view the internal audit function as a place to prepare them for promotion.	0	0	12	42.86	6	21.43	6	21.43	4	14.29
Internal Auditors view the internal audit function as a place to prepare them for career development.	0	0	17	60.71	5	17.86	2	7.14	4	14.29

Field Data (2019)

4.3.5 Availability of Audit Manuals

Several items were used to measure availability of Audit Manuals to internal auditors at Internal Auditor General Division (IAGD). When asked whether internal auditors are provided with adequate internal audit manuals; 60.71% of the internal auditors agreed while 14.29% of the internal auditors. The findings of these items are presented in table 4.12:

Table 4.12 Availability of audit manuals

Aspect	Strongly Agree		Agree		Indifferent		Disagree		Strongly Disagree	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Internal auditors are provided with adequate internal audit manuals.	6	21.43	17	60.71	1	3.57	4	14.29	0	0

Field Data (2019)

4.3.6 Management Support

Management support to internal auditors at Internal Auditor General Division (IAGD) was also measured. When asked whether internal auditors are provided with all the support needed by management; 42.86% of the internal auditors agreed while 32.14% of the internal auditors disagreed. In addition, 14.29% of the internal auditors agreed while 50% of the internal auditors disagreed when asked whether internal audit function has adequate staff. Also, when the internal auditors were asked whether the budget assigned shows that management is aware of the needs of the internal audit function; 50% of the internal auditors agreed while 28.57% of the internal auditors disagreed. Furthermore, when the internal auditors were asked whether management provides the Internal Audit function with all the necessary training and encouragement; 39.29% of the internal auditors agreed while 42.86% of the internal auditors disagreed. The findings of these items are presented in table 4.13:

Table 4.13 Management support

	Strongly Agree		**Agree**		**Indifferent**		**Disagree**		**Strongly Disagree**	
Aspect	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**
Internal auditors are provided with all the support needed by management.	0	0	12	42.86	6	21.43	9	32.14	0	0
Internal audit function has adequate staff.	0	0	4	14.29	6	21.43	14	50	4	14.29
The budget assigned shows that management is aware of the needs of the internal audit function.	0	0	14	50	4	14.29	8	28.57	2	7.14
Management provides the Internal Audit function with all the necessary training and encouragement.	0	0	11	39.29	5	17.86	12	42.86	0	0

Field Data (2019)

4.3.7 Professional proficiency of Internal Auditors

Several items were used to measure professional proficiency of internal auditors at Internal Auditor General Division (IAGD). When asked whether management do develop internal auditors in order for them to improve their skills; 42.86% of the internal auditors agreed while 25% of the internal auditors disagreed. In addition, 7.14% of the internal auditors strongly agreed, 32.14% of the internal auditors agreed while 32.14% of the internal auditors disagreed when asked whether internal auditors do have the right skills and education to conduct their work effectively and efficiently. The findings of these items are presented in table 4.14:

Table 4.14 Professional proficiency of internal auditors

	Strongly Agree		**Agree**		**Indifferent**		**Disagree**		**Strongly Disagree**	
Aspects	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**
The management do develop internal auditors in order for them to improve their skills.	2	7.14	12	42.86	7	25	7	25	0	0
Internal auditors do have the right skills and education to conduct their work effectively and efficiently.	2	7.14	9	32.14	8	28.57	9	32.14	0	0

Field Data (2019)

4.3.8 Quality of Audit Work

Several items were used to measure quality of audit work at Internal Auditor General Division (IAGD). When asked whether internal auditors prepare their audit plan without interference; 78.57% of the internal auditors agreed while none of the internal auditors disagreed. In addition, 71.43% of the internal auditors agreed while none of them disagreed when asked whether the areas audited and reviewed are important to the organisation. Also, when the respondents were asked whether the internal auditors are able to cover the whole entity; 32.14% of the internal auditors agreed while 21.43% of the internal auditors disagreed. Furthermore, when the internal auditors were asked whether the auditees submit responses in writing and complete; 39.29% of the internal auditors agreed while 10.71% of the internal auditors disagreed. Moreover, 42.86% of the internal auditors agreed while 10.71% of the internal auditors disagreed when asked whether internal auditors do perform frequent follow-ups to ensure recommendations made were implemented. Similarly, when the respondents were asked whether the internal auditors perform other duties such as developing procedures; 42.86% of the internal auditors agreed while none of the internal auditors disagreed. The findings of these items are presented in table 4.15:

Table 4.15 Quality of audit work

	Strongly Agree		**Agree**		**Indifferent**		**Disagree**		**Strongly Disagree**	
Aspect	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**
The internal auditors prepare their audit plan without interference.	2	7.14	22	78.57	4	14.29	0	0	0	0
The areas audited and reviewed are important to the organisation.	8	28.57	20	71.43	0	0	0	0	0	0
The internal auditors are able to cover the whole entity.	2	7.14	9	32.14	10	35.71	6	21.43	0	0
The auditees submit responses in writing and complete.	3	10.71	11	39.29	12	42.86	3	10.71	0	0
Internal auditors do perform frequent follow-ups to ensure recommendations made were implemented.	5	17.86	12	42.86	8	28.57	3	10.71	0	0
The internal auditors perform other duties such as developing procedures.	6	21.43	12	42.86	8	28.57	0	0	2	7.14

Field Data (2019)

4.4 Effectiveness of the Internal Audit Function at IAGD

Internal auditors at Internal Auditor General Division (IAGD) were required to indicate the extent to which the internal audit function had influenced various aspects of corporate governance as indicated on a Likert scale of 1 - 5 as: 1 –“Not at all” and

5 –"To a very great extent". Four major aspects ranging from compliance with policies, rules and regulations, reduced incidences of fraud, improvement in risk management and improvement in control and governance practices were used to measure effectiveness of the internal audit function. Means of between 3.4643 and 3.8214 were registered. The findings are displayed in table 4.16.

Table 4.16 Effectiveness of the internal audit function (IAF) at IAGD

Effectiveness of IAF	Mean	Standard Deviation
Compliance with policies, rules and regulations	3.8214	0.94491
Reduced incidences of fraud	3.6429	0.91142
Improvement in risk management	3.4643	0.88117
Improvement in control and governance process	3.6786	0.90487

Field Data (2019)

4.5 Summation of the Chapter

The analysis of the respondents concluded that the majority of internal auditors at Internal Auditor General Division (IAGD) are male and above the age of 40 years. Also, majority of them possess Masters' degree and Certified Public Accountant [CPA (T)]. In addition, majority of them are designated as Internal Auditors Grade I.

Furthermore, the analysis of finding looked at several factors affecting internal audit function as a corporate governance mechanism in the Tanzanian public sector and analysed whether effectiveness of internal audit function affects good corporate governance. The discussion of these issues and conclusion will be done in the next chapter.

CHAPTER FIVE
DISCUSSION OF FINDINGS

5.1 Introduction

This chapter is on discussion of findings of both quantitative and qualitative information obtained from both primary and secondary data. Secondary data were captured using the various documents related to auditing in Internal Auditor General's Division (IAGD) while primary data were captured using questionnaires from internal audit staff respondents. Results were presented and discussed through frequencies and tables.

5.2 Factors that Contribute to Effective Internal Audit Function

The following section will discuss the findings of factors that contribute to effective internal audit function at Internal Auditor General's Division.

5.2.1 Independence of Internal Audit Function

The effect of independence of internal auditors and internal audit function (IAF) on effectiveness of internal audit function as corporate governance mechanism in public sector in Tanzania was measured in four dimensions.

Firstly, it was found that, to a big extent that the structure of the internal audit function has resulted in lack of independence of internal auditors. This may cause the internal auditors to be demoralized and hence view that the structure of IAF does not support them. Furthermore, this may result in them to be corrupt as they view the organisation to be the same. This may ultimately result in their work to lack credibility.

Secondly, it was found that, the appointment and recruitment process has resulted in the lack of independence of internal auditors. Firstly, this shows that the process of appointment and recruitment does hinder independence of internal auditors. Secondly, this may cause the internal auditors to be demoralized and hence view that the organisation does not support them. Thirdly, this may result in them to be corrupt as they view the organisation to be the same. This may ultimately result in their work to lack credibility.

Thirdly, it was found that internal auditors are given access to important accounting records in the course of conducting their work. This is a very important indication that internal auditors at Internal Auditor General’s Division (IAGD) have independence. It shows the division is respected and audited entities view them as having authority. This has the effect of motivating the internal auditor as he/she considers himself or herself as having authority and respect. This will in turn increase the effectiveness of internal audit function.

Fourthly, it was found that, management domineering has resulted in the lack of independence of internal auditors in the public sector. This is a finding needing to be remedied. Firstly, this may cause the internal auditors to be demoralised and hence view that the executive are limiting them in their work. Furthermore, this may result in them to be corrupt as they view the organisation to be the same. This may ultimately result in their work to lack credibility.

In summation, it can be concluded that there is independence of IAs at IAGD. This is due to the fact that they are provided with all the documents and support by the audited entities. This is consistent with the argument put forward by Baharud-din et al. (2014) that independence is crucial to the effectiveness of internal audit functions.

5.2.2 Compliance with set out rules and regulations

The effect of compliance with set out rules and regulations on effectiveness of internal audit function as a corporate governance mechanism in public sector in Tanzania was measured in three dimensions.

The results where that, senior managers frequently circumvent internal controls in audited entities resulting in the accounts of audited entities being incorrect as the amounts in the financial statements circumvented by senior management are bound to be material. The result is consistent with the finding as obtained in the research done by Bananuka et al.(2017).

But the finding that, internal auditors do receive documents containing transactions performed by the entity when requested is not according to the finding as obtained in the research done by Bananuka et al. (2017). “Auditees do not want to give information. Auditees perceive us to be only fault finders and do not want to associate with us” (Bananuka et al., 2017,p. 200). This could be the result of education given to auditees on the role of internal auditors in an organisation.

Also, internal auditors were asked whether the internal auditors are allowed to report to an independent officer. This is bound to contribute positively to independence of internal audit function and support the idea that compliance with set out rules and regulations are adhered to.

All in all it can be concluded that compliance of set out rules and regulations are adhered to by audited entities.

5.2.3 Proper separation of duties

The effect of proper segregation of duties on effectiveness of internal audit function as a corporate governance mechanism in public sector in Tanzania was measured in two dimensions.

The internal auditors disagreed when asked whether non-separation of duties has result in ineffectiveness and inefficiency of internal auditors in government institutions. Also, nearly equal number agreed on the statement. The difference was a mere 0.01%. It can even be argued that the internal auditors at Internal Auditors General Division (IAGD) were indifferent. But, if the nature of distribution of tasks and responsibilities has posed a problem to internal auditors; then this could have the effect of under-utilisation and demoralisation of internal auditors and may result in the government failing to meet its objectives of providing services to its citizens.

Also, it was found that the separation of duties has result in problems for the internal auditors in government institutions. This overlap of functions may cause some internal auditors to be under-utilised, demoralised and hence result in waste of important human resources. This will in turn result in ineffectiveness of internal audit function.

These findings are contrary to Yu et al. (2013) who contend that there should separation of duties functions in an organisation.

5.2.4 Career development and training

The effect of career development and training on effectiveness of internal audit function as a corporate governance mechanism in public sector in Tanzania was measured in three dimensions.

It was found out that internal auditors view internal audit function as an office to train and prepare them to work in the entity. This can act as a good motivator for employees to work in the internal audit section as internal auditors are expected and seen to possess general and detailed information of the organisation and therefore attractive candidates for future managerial positions. But, this can as well threaten independence and objective of internal auditors as they could be afraid to raise issues against management for the fear of jeopardising their future career prospects.

In addition, it was found out that internal auditors view the internal audit function as a place to prepare them for promotion. This is a good characteristic which can also motivate and encourage employees to work in the internal audit section. On the flip side this has the effect of internal auditors to be reluctant to expose dishonest employees as they are afraid of making enemies of them. Therefore, this policy needs to be applied sparingly lest the internal auditors lack independence and objectivity.

Furthermore, it was found out that internal auditors view the internal audit function as a place to prepare them for career development. This is also a good characteristic in an organisation. It attracts the elite and the ambitious to work in the internal audit function. It motivates them to work harder as they work for their careers. But, this also has the detrimental effect of these elite and ambitious individuals to the reluctant to expose unscrupulous employees and management for fear of jeopardising their career prospects. Therefore, this policy needs to be used sparingly.

All in all it can be concluded that there is enticing career development and training at IAGD which is enviable. According to Ngwenya and Kakunda (2014), career development of employees in an organisation leads to job satisfaction; which in turn leads to effectiveness of internal audit function.

5.2.5 Availability of Audit Manuals

The effect of availability of audit manuals on effectiveness of internal audit functions a corporate governance mechanism in public sector in Tanzania was measured in one dimension.

The findings indicated that internal auditors are provided with adequate internal audit manuals. The most important use of an audit manual is to show how to manage an internal audit unit, planning, carrying out an audit and so on. An internal audit manual is especially important in the public sector as it might show the reporting structure in a ministry or any government unit and a link between that government unit and Ministry of Finance. Also, internal audit manuals have the benefit of providing internal audit with a light and a clear path of what is required of them.

According to Ngwenya and Kakunda (2014), availability of adequate internal audit manuals leads to job satisfaction; which in turn leads to effectiveness of internal audit function.

5.2.6 Management Support

The effect of management support on effectiveness of internal audit function as a corporate governance mechanism in public sector in Tanzania was measured in four dimensions.

Firstly, it was found out internal auditors are provided with all the support needed by management. This is a good characteristic which can motivate and ensure the objectivity and independence of internal auditors. It further makes them work harder as they consider that management care. Hence; contribute to the effectiveness of the function.

Secondly, it was found out that internal audit function has inadequate staff. This is detrimental to the effectiveness of the internal audit function as in order for an organisation to meet its objectives it needs to have strong internal controls which requires sufficient internal audit staff covering the whole organisation thoroughly. This has also the effect of demoralising internal auditors as they view that they are being overworked. Although this is known to be a problem but it might be outside the control of management due to the current policy of the government. This policy is to hire civil servant only through Public Service Commission. Furthermore, the government currently has a stringent recruitment and hiring budget. Also, the shortage of staff might be due to recent government crackdown of ghost workers in its payroll.

Thirdly, it was found out that the budget assigned shows that management is aware of the needs of the internal audit function. This is a good characteristic which will make certain of the objectivity and independence of internal auditors and encourage internal auditors to work harder to meet their objectives regardless of the shortage of staff highlighted above. In addition, this researcher experienced and observed the extent Internal Audit General Division (IAGD) is being intentionally favoured by the government.

Fourthly, it was found out that management does not provide the Internal Audit function with all the necessary training and encouragement. This can demotivate and demoralise the internal auditors by thinking they are not important in the organisation and prevent the government from meeting its objectives. But, this can be negated as the finding in section 4.3.7 shows.

These findings are consistent with research findings as in Baharud-din et al.(2014). "… IA effectiveness will depend on … management support" (Baharud-din et al., 2014,p. 131). "As such any negative factor that affected to these factors will give a significant change in the effectiveness of IA" (Baharud-din et al., 2014,p. 131).But, the management at Internal Auditors General Division is sufficiently aware of the needs of Internal Audit, as demonstrated by the budget assigned to this division. Therefore, it can be concluded that the management at Internal Auditor General

Division (IAGD) do support internal auditors. This is further supported by the finding in section 4.3.7, that management facilitates internal auditors at IAGD to improve their skills and knowledge through training and development programs. Cohen and Sayag (2010), support this finding by arguing that management support is so crucial in such without it internal audit function will fail.

5.2.7 Professional proficiency of Internal Auditors

The effect of professional proficiency of internal auditors on effectiveness of internal audit function as a corporate governance mechanism in public sector in Tanzania was measured in two dimensions.

Firstly, it was found out that the management does develop internal auditors in order for them to improve their skills. It can be argued that, the higher the skill of an internal auditor, the better the quality of internal audit function. This is a pre-requisite to an effective internal audit function (Soh & Martinov-Bernie, 2011).

Secondly, internal auditors do have the right skills and education to conduct their work effectively and efficiently. It was found out in previous chapter that the majority of internal auditors at Internal Auditor General Division (IAGD) have the highest accounting professional qualification and highly experienced. This is consistent with the literature section that emphasises that the better the education possessed by the internal auditors the more the effectiveness of the internal audit function.

In conclusion, internal auditors at IAGD have enough skills, work experience and education to conduct their work. This can also be supported by the results in sections 4.2.3, 4.2.4, 4.2.6 and 4.2.7.

5.2.8 Quality of Audit work

The effect of quality of Audit work on effectiveness of internal audit function as a corporate governance mechanism in public sector in Tanzania was measured in six dimensions.

Firstly, it was found out that the internal auditors prepare their audit plan without interference. It shows that the internal auditors are not interfered in their work by management of auditees. This is a positive thing as it ensures objectivity and independence of the auditor and therefore credibility of their report.

Secondly, it was found out that areas audited and reviewed are important to the organisation being audited. This ensures that the financial and human resources are used efficiently in order to reach the objectives set by the government.

Thirdly, it was found out that the internal auditors are able to cover the whole entity. This is a positive thing as it ensures that the internal audit function to adequately do its work to help an organisation accomplish its objectives.

Fourthly, it was found out that the audited submit responses in writing and complete. This has an advantage as it shows that the issue raised by the internal auditor is worked on, with all the intention of helping the government accomplish its set objectives. Also, this has the effect of motivating the internal auditor as he views himself as a person of authority and he is respected which leads to job satisfaction. According to Ngwenya and Kakunda (2014), job satisfaction results in effectiveness of internal audit function.

Fifthly, it was found out that internal auditors do perform frequent follow-ups to ensure recommendations made were implemented. This is also a positive thing due the fact that it ensures the weaknesses found are remedied which put the organisation on track to accomplish its objectives.

Sixthly, it was found out that the internal auditors perform other duties such as developing procedures. This shows flexibility and skills of the internal auditors and shows consistency with requirements of the Institute of Internal Auditors (IIA).

All in all it shows that there is quality in the internal audit work at Internal Auditor General Division (IAGD).According to Cohen and Sayag (2010), "it can be argued that greater quality of Internal Audit (IA) work – understood in terms of compliance with formal standards, as well as a high level of efficiency in the audit's planning and execution – will improve the audit's effectiveness" (p. 299).

5.3 Effectiveness of Internal Audit Function at IAGD

The participants in this study were asked to answer the extent to which the internal audit function had influenced various aspects of corporate governance in the Tanzanian public sector as indicated on a Likert scale of 1 - 5 ranging from 1 –"Not at all" to 5 –"To a very great extent". Four major aspects were used to measure effectiveness of the internal audit function. Means of between 3.4643 and 3.8214 were registered. Indicating that the Internal Audit General Division (IAGD) had led to some extent to effectiveness in the aspects identified. Specifically, the internal audit function has facilitated compliance with policies, rules and regulations, reduced incidences of fraud, improvement in control and governance processes and improvement in risk management to some extent.

5.4 Summation of the Chapter

The discussion of the findings concluded that all the factors discussed in sections 5.2.1 to 5.2.8 bring about effectiveness of internal audit function except segregation of duties.

Lastly, since it was found out in section 5.9 that internal effectiveness affect aspects of good corporate governance then the null hypothesis can be rejected and alternative hypothesis is accepted. Hence, it be said that effectiveness of internal audit function does affect good corporate governance.

CHAPTER SIX
CONCLUSION AND RECOMMENDATIONS

6 .1 Introduction

On the factors contributing to effectiveness of internal audit function as a corporate governance mechanism in Tanzanian public sector, a number of factors were looked at. This chapter will firstly present a summary then secondly present a conclusion of the study and lastly make recommendations to various stakeholders related to the study.

6.2 Summary

This study was undertaken from the analysis of factors contributing to effectiveness of internal audit function as a corporate governance mechanism in Tanzanian public sector. Specifically the study endeavoured: to determine the status of internal audit as a corporate governance tool in Tanzania, to determine internal audit good practices ensuring sound corporate governance and identify whether independence of internal auditors, compliance with stout rules and regulations of public fund management, proper separation of duties, career development and training, availability of audit manuals, management support, professional proficiency and quality of audit work of internal auditors leads to effectiveness of internal audit function of public sector entities.

6.2.1 Independence of internal auditors

It was found that, the structure of the internal audit function has resulted in lack of independence of internal auditors. Also, the appointment and recruitment process has resulted in the lack of independence of internal auditors.

Moreover, it was concluded that the internal auditors are not denied access to important accounting records in the course of conducting their work. Also, management domineering has not resulted in the lack of independence of internal auditors in the public sector. Hence, it can be concluded that there is independence of internal auditors at Internal Auditor General Division (IAGD).

6.2.2 Compliance with stout rules and regulations of public fund management

It was found that senior managers frequently circumvent internal controls in audited entities. But, it was however found out that internal auditors do receive documents containing transactions performed by the entity when requested regardless of the above, it was found that the internal auditors are allowed to report to an independent officer. Hence, it can be concluded that there is compliance with set out rules and regulations Internal Auditor General Division (IAGD).

6.2.3 Proper separation of duties

It was found that the separation of duties has not result in problems for the internal auditors in government institutions. On the other hand, it was found that the non-separation of duties in the internal audit function has result in ineffectiveness and inefficiency of internal auditors in government institutions. It can thus be concluded that internal auditors at Internal Auditor General Division (IAGD) are affected by non-separation of duties in the course of their work. Or there is no proper separation of duties at IAGD.

6.2.4 Career development and training

It was found that the internal auditors view internal audit function as an office to train and prepare them to work in the entity. Also, it was found out that internal auditors view the internal audit function as a place to prepare them for promotion. Furthermore, it was proposed that internal auditors view the internal audit function as a place to prepare them for career development. It can thus be concluded that internal auditors at Internal Auditor General Division (IAGD) are provided with career development and training.

6.2.5 Availability of audit manuals

Internal auditors at Internal Auditor General Division (IAGD).are provided with adequate internal audit manuals. This has the benefit of building internal auditors' professional proficiency in the Tanzanian public sector.

6.2.6 Management support

It was found out that internal auditors are provided with all the support needed by management. Also, it was found out that the internal audit function has no adequate staff. Moreover, it was found out that the budget assigned shows that management is aware of the needs of the internal audit function. In addition, Management provides the Internal Audit function with all the necessary training and encouragement. Hence, it can be concluded that management support internal auditors at Internal Auditor General Division (IAGD).

6.2.7 Professional proficiency

It was found out that the management do develop internal auditors in order for them to improve their skills. In addition, it was found out that internal auditors do have the right skills and education to conduct their work effectively and efficiently. It can thus be concluded that internal auditors at Internal Auditor General Division (IAGD) possess the right education, skills and work experience to perform their internal audit work.

6.2.8 Quality of audit work

It was found out that the internal auditors prepare their audit plan without interference. Also, it was proposed that areas audited and reviewed are important to the organisation being audited. Furthermore, it was proposed that the internal auditors are able to cover the whole entity. Moreover, it was proposed that the audited submit responses in writing and complete. In addition, it was proposed that the internal auditors do perform frequent follow-ups to ensure recommendations made were implemented. Likewise, it was proposed that the internal auditors perform other duties such as developing procedures. It can thus be concluded that there is quality of audit work at Internal Auditor General Division (IAGD).

6.3 Effectiveness of Internal Audit Function at IAGD

It was found that the Internal Audit General Division (IAGD) had led to some extent to effectiveness in the aspects of good corporate governance identified. Specifically, the internal audit function has facilitated compliance with policies, rules and regulations, reduced incidences of fraud, improvement in control and governance processes and improvement in risk management to some extent.

6.4 Conclusion

This study was a case study, where all internal auditors at IAGD were provided with questionnaires. The study used primary as well as secondary data. The primary data collected by questionnaires were analysed and presented infrequency distribution tables and percentages.

Major argument was that independence of internal auditors, compliance with set out rules and regulations of public fund management, proper separation of duties, career development and training, availability of audit manuals, management support, professional proficiency and quality of audit work of internal auditors leads to effectiveness of internal audit function of public sector entities as a mechanism of corporate governance.

From the study findings it can be concluded that the factors that brings about effectiveness of the internal audit function are independence of internal auditors, compliance with set out rules and regulations, career development and training, availability of audit manuals, management support, professional proficiency of internal auditor and quality of audit work only. Also, it was found that the effectiveness of Internal Audit at Internal Audit General Division (IAGD) had led to some extent to effectiveness in the aspects of good corporate governance identified.

6.5 Recommendations

The following are the recommendations that can be put forward due to the findings obtained from the study:

6.5.1 Recommendations to the Central Government

Due the shortcomings highlighted; the Central Government should review the structure and the way in which appointments and recruitment are made which seems to be the source of lack of independence. Also, the non-separation of duties has result in effectiveness and inefficiency of internal auditors in government institutions. In addition, it should review the way in which separation of duties has resulted in problems for the internal auditors in government institutions. Furthermore, it is recommended that the number of employees IAGD be reviewed as it is inadequate given the amount of auditing work planned.

6.5.2 Recommendations to IAGD

The management of Internal Auditor General General's Division (IAGD) should make sure audit recommendations are implemented like complying with stipulated procedures for payment, purchases and awards often circumvented by senior managerial personnel of audited entities. Also, top management should provide internal auditors with all support needed.

6.6 Limitation of the Study

Self-Reporting data –"this type of data is limited by the fact that it can rarely be independently verified; in other words, you have to take what people say, whether in interviews, focus groups, or on questionnaires, at face value" (USCLibraries, 2019,p. 1).The data obtained from the questionnaire might be overstated or understated. But, a reliability analysis was performed and an acceptable cronbach alpha obtained.

6.7 Suggestion for Future Research

From the results of this study, the following suggestions for future research in internal audit are suggested: Firstly, since this study research focused on Internal Auditor General Division (IAGD) and therefore, generalisations cannot adequately extend to all internal auditors in the Tanzanian public sector. Hence, it is suggested that prospective research studies should include all internal auditors in the public sector in Tanzania. Secondly, a study on effectiveness of Internal Audit function on corporate governance can be done to include both the Tanzanian private and public sectors.

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APPENDICES

APPENDIX 1: Questionnaire

QUESTIONNAIRES FOR STAFF MEMBERS

Effectiveness of internal Audit Functions as a Corporate Governance mechanism in Tanzanian Public Sector

Dear respondent,

You have been selected to participate in the study on the role of internal Audit on corporate governance in Government Agencies in Tanzania. We believe that you have experience that would add value to us and we would like to have your views and opinion on the subject matter. The study is conducted in Partial fulfilment of the requirement for the MSc degree in Accountancy and Finance of Mzumbe University of Tanzania. The Information you give will be used exclusively for academic purposes only. No source or individual will be identified or attributed to the originator. Thank you for your cooperation.

Yours sincerely

Godlove Kimaro

Section A: Background Information

Instruction: Please tick (√) as appropriate.

1. Gender: Male [ ] Female [ ]
2. Highest Academic Qualification: BSc/HND/BA [ ] MBA/MSc [] PhD []
3. Age (in years) 0 - 20 [ ] 21 - 30 [ ] 31 - 40 [ ] 41 - 50 [ ] Over 50 [ ]
4. Designation: ________________________________
5. Work Station: ________________________________
6. Professional Affiliation: CPA (T) [ ] ACCA [ ] CIA [ ] CISA [ ] Other [ ] Please Specify_________

7. Duration of service in the entity: 1-5 years [ ] 6-10 years [ ] 11-15 years [ ] 16 and Above [ ]

Section B: Study Related Questions

Tick the responses applicable to you in all cases.

Section A: Independence of Internal Audit Function

5 The structure of the internal audit function has resulted in the lack of independence of internal auditors.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

6 The appointment and recruitment process has resulted in lack of independence of internal auditors.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

7 Internal auditors are denied access to important accounting records in the process of conducting their work.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

8 Management's domineering has resultedin the lack of independence of internal auditors in the public sector.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

Section B: Compliance with set out rules and regulations

9 Senior managers frequently circumvent internal controls.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

10 Internal auditors do receive documents containing transactions performed by the entity when requested.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

11 Internal auditors are allowed to report to an independent officer.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

Section C: Proper segregation of duties

12 Non-separation of duties has resulted in the ineffectivenessand inefficiency of internal auditors in government institutions.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

13 Separation of duties has resulted in problems for the internal auditor in government institutions.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

Section D: Career development and training

14 Internal auditors view internal audit function as an office to train and prepare them to work in the entity.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

15 Internal auditors view the internal audit function as a place to prepare them for promotion.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

16 Internal auditors view the internal audit function as aplace to prepare them for career development.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

Section E: Availability of Audit Manuals

17 Internal auditors are provided with adequate internal audit manuals.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

Section F: Management Support

18 Internal auditors are provided with all the support by management.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

19 Internal Audit Function has adequate staff.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

20 The budget assigned shows that management is aware of the needs of the internal audit function.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

21 Management provides the Internal Audit function with all the necessary training and encouragement.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

Section G: Professional proficiency of Internal Auditors

22 The management do develop internal auditors in order for them to improve their skills.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

23 Internal auditors do have the right skills and education to conduct their work effectively and efficiently.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

Section H: Quality of Audit work

24 Internal Auditors prepare their annual audit plan without interference.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

25 The areas audited and reviewed are important to the organization.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

26 Internal auditors are able to cover the whole entity.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

27 The auditeessubmit responses in writing and completed.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

28 Internal auditors do perform frequent follow-ups to ensure recommendations made were implemented.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

29 Internal auditors perform other duties as developing procedures.

[ ] Strongly Agree [ ] Agree [ ] Indifferent [ ] Disagree [ ] Strongly Disagree

Section I: Effectiveness of Internal Audit Function at IAGD

30 Rate the extent to which, in your best understanding, the following aspects have been influenced by the Internal Audit function.

(i) Compliance with policies, rules and regulations

[ ] Not at all [ ] Very Slightly [ ] Moderate Extent [ ] To Some Extent

[ ] To a Great Extent

(ii) Reduced incidences of fraud

[ ] Not at all [ ] Very Slightly [ ] Moderate Extent [ ] To Some Extent

[ ] To a Great Extent

(iii) Improvement in risk management

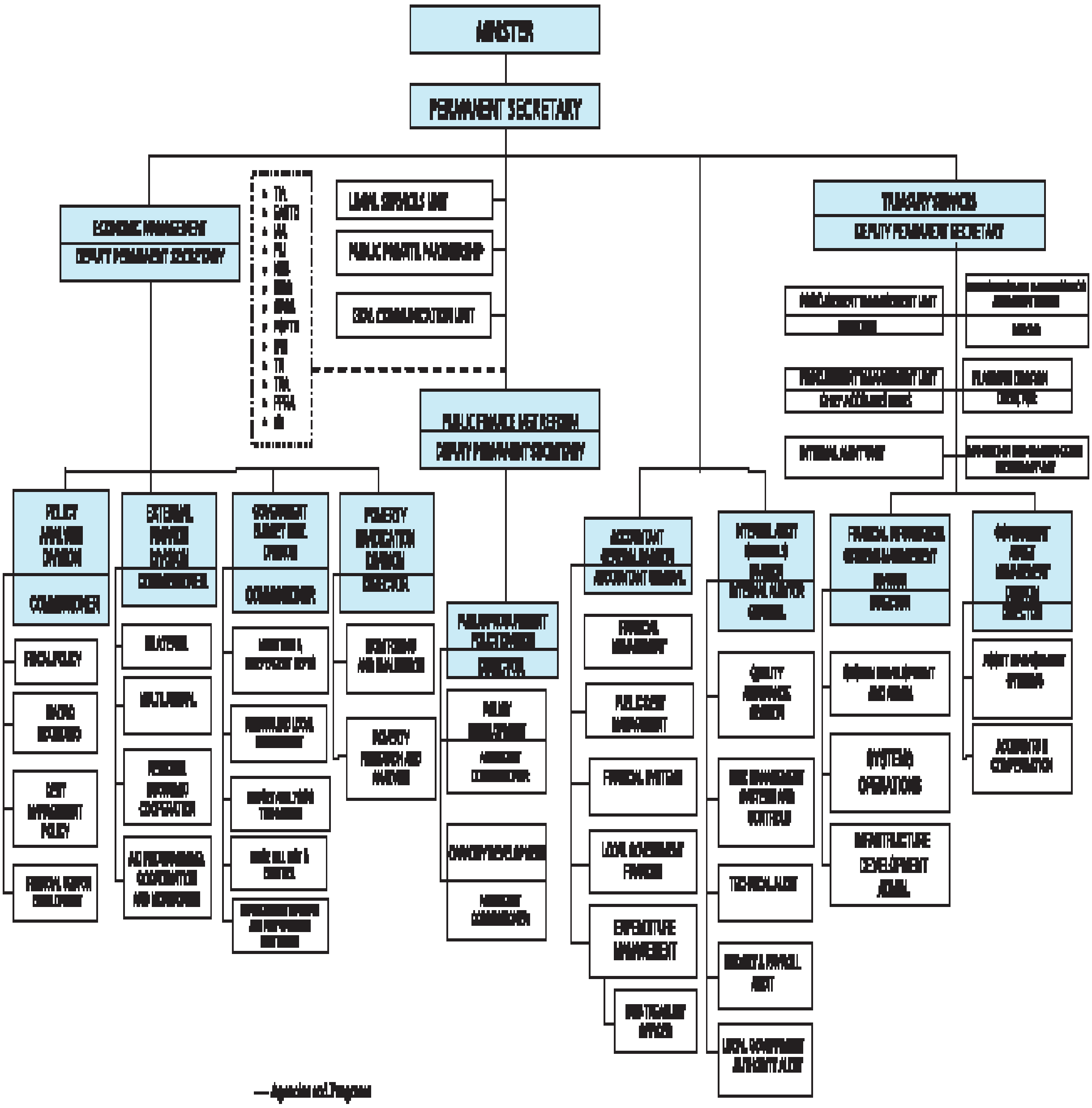
[ ] Not at all [ ] Very Slightly [ ] Moderate Extent [ ] To Some Extent

[ ] To a Great Extent

(iv) Improvement in control and governance process.

[ ] Not at all [ ] Very Slightly [ ] Moderate Extent [ ] To Some Extent [ ] To a Great Extent

APPENDIX 2: The Organisation Structure of Ministry of Finance



Field Data (2019)

APPENDIX 3: Budget

ITEM	COST
PROPOSAL WRITING	
-Printing of 51 pages (1copies) @ Tshs. 100	5,100.00/-
-Binding 1 copies @ Tshs. 3,500	3,500.00/-
-Subsistence for 42 days @Tshs. 10,000	420,000.00/-
-Miscellaneous expenses	100,000.00/-
Sub-Total	**528,600.00/-**
PRODUCTION OF THE FINAL DOCUMENT	
- Data collection	250,000.00/-
- Books and reading material	50,000.00/-
- Data analysis and computer runtime	50,000.00/-
- Printing First draft of 87pages (3 copies) @Tshs. 100	26,100.00/-
-Printing final draft of 86 pages (4 copies) @Tshs. 100	34,400.00/-
- Binding 4 copies @ Tshs. 25,000/-	100,000.00/-
- Miscellaneous expenses	100,000.00/-
Sub-Total	**510,500.00/-**
GRAND TOTAL	**1,039,100.00/-**